The Civic Federation

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CITY COLLEGES OF CHICAGO FY2015 TENTATIVE BUDGET:

Analysis and Recommendations

July 10, 2014

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EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges of Chicago FY2015 Tentative Annual Operating Budget totaling $723.5 million because it restrains spending and minimizes the burden placed on taxpayers and students. Unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will increase by 1.0%, or $3.2 million, to $309.9 million in FY2015. The property tax levy will stay relatively flat at $124.4 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 four 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 developing the budget based on performance measures, a long-term financial plan and working with labor unions to curb increasing personnel-related costs, the District has become a potential role model for other governments to emulate. The Civic Federation also commends the District for its plan to publicly release its internal long-term financial plan.

The Civic Federation offers the following **key findings** on the City Colleges FY2015 tentative budget:

- Property tax levy will stay relatively flat, but increase by $3.4 million due to levying for expiring TIF increment;
- Appropriations for unrestricted operating funds for FY2015 will total $309.9 million. This is an increase of 1.0%, or $3.2 million, above the FY2014 amended operating appropriations of $306.7 million;
- Between FY2014 and FY2015, appropriations for employees' salaries in the operating funds will increase by $769.0 thousand, or 0.4%, from $213.0 million to $213.8 million;
- Employee headcount will increase by 52 employees;
- FTE student enrollment decreased between FY2013 and FY2014 by 1,314 FTE students, or 2.8%, shrinking from 46,588 to 45,274 FTEs.
- For the third straight year, tuition will remain flat at $89 per credit hour.

The Civic Federation **supports** several elements of the FY2015 City Colleges tentative budget:

- Publicly releasing a long-term financial plan;
- Keeping the property tax levy relatively flat at $124.4 million;
- Commitment to fiscal discipline by increasing the District's unrestricted operating fund budget in FY2015 by only 1.0% and continuing to exercise sound financial practices;
- Maintaining a healthy unrestricted fund balance of 19.8% of operating expenses in FY2013, a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000;[2]
- Formally approving a debt policy while selling bonds in its first debt issuance in 14 years;
- Planning for capital projects with transparency and public input;
- Reporting cost-containment strategies and savings; and

[1] City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. iii.
[2] City Colleges issued bonds in 1987 and 1988 and according to GASB Statement No. 54, the proceeds from the bonds should have been included in the unrestricted fund balance. Had the reclassification not taken place, the District's audited Unrestricted Net Assets for FY2013 would have totaled $94.3 million, lowering the FY2013 fund balance ratio to 19.8%, a drop of 0.8 percentage points from FY2012.

- Prudently planning for a shift of pension costs from the State of Illinois.

The Civic Federation has the following **concern** related to the FY2015 City Colleges tentative budget:

- Holding tuition rates flat may result in a sudden tuition rate hike in the coming years as spending pressures mount, particularly staffing expenses.

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

- Phase out retiree healthcare subsidy;
- Improve upon publicly released 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 then publish the policy in its budget;
- Improve the budget book format by providing a high level of detail on Capital Improvement Plan spending, full-time equivalent personnel data, clear definitions of unrestricted funds and complete property tax 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 FY2015 Tentative Annual Operating Budget totaling $723.5 million because it restrains spending and minimizes the burden placed on taxpayers and students. Of the total budget, $524.5 million is the operating budget and $199.0 million is for capital improvements and debt service payments. The unrestricted operating budget, over which City Colleges has the most discretion and control, will increase slightly by 1.0% from $306.7 million budgeted in FY2014 to $309.9 million proposed for FY2015. The FY2015 tentative budget keeps the District's property tax levy relatively flat but will increase slightly due to levying for expiring TIF district increment.

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 four years, the District has worked to improve the financial and operational health of the colleges system, redirecting $51 million in administrative costs toward instruction.[3] The current phase of *Reinvention* applies the strategic goals and policies that have been implemented at the District level to the college level. The Civic Federation strongly supports the City Colleges' reorganization efforts and its progress to date. By implementing financial and operational efficiencies, like developing the budget based on performance based measurements, long-term financial planning and other innovative budgetary tools, the District continues to become a potential role model for other governments to emulate.

Highlighted below are a number of good financial management practices introduced and maintained by City Colleges of Chicago. The Civic Federation especially commends the District for its plan to publicly release its internal long-term financial plan that is connected to its five-year strategic plan.

Issues the Civic Federation Supports

The following section details key issues that the Civic Federation supports in the City Colleges FY2015 Tentative Annual Operating Budget.

Publicly Releasing Long-Term Financial Plan

In June 2013, 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 four 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 five-year (2014-2018) financial forecast included in the tentative budget. The forecast is updated on a monthly basis and programs tied to *Reinvention* goals are adjusted to reflect changes in financial reserves.[4]

City Colleges has an internal long-term financial plan linked to its strategic plan that has been made available to its Board of Trustees and will be approved and released publicly at the Board meeting on July 10, 2014. The Federation commends the District for taking the step of formally

[3] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 1.
[4] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 16.

adopting a comprehensive long-term financial plan as part of its FY2015 tentative budget in order to move toward fully aligning the District's academic and operational goals as enumerated in the five-year strategic plan with the fiscal strategies it must implement to achieve those goals given the financial challenges it faces over the next five years.

Keeping Property Tax Levy Relatively Flat

City Colleges proposes to keep its property tax relatively flat from the previous year at $124.4 million, after having reduced it by 2.3% in FY2010 and held it flat thereafter. The increase in local tax revenues is due to an increase in the City Colleges property tax levy to capture revenue from expiring TIF districts within the City of Chicago. [5] The levy increase is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $3.4 million for Chicago TIF district expenses. Now, they will pay the $3.4 million instead as part of the City Colleges levy. This allows City Colleges to capture additional resources without increasing the tax burden on residents. The Civic Federation commends the District for its continued fiscal discipline at a time of ongoing financial hardship for many Chicago property taxpayers.

Commitment to Budgetary Restraint

The FY2015 budget for the District's unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will increase by 1.0% to $309.9 million, from $306.7 million in its amended budget in FY2014. The Civic Federation commends City Colleges for exercising fiscal restraint and prudently containing expenditures in its operating funds. Additionally, the District continues to exercise sound financial practices, including developing the budget based on performance measures, financial forecasting and modeling with monthly accounting reviews and other best-practice budgetary tools.

Maintaining Healthy Unrestricted Fund Balance

For the last five years, City Colleges has maintained a strong fund balance, with a FY2013 (audited) unrestricted fund balance equal to approximately 53.3% of operating expenses. The FY2013 fund balance is well above the minimum two months of operating expenses recommended by the Government Finance Officers Association. The dramatic increase of the unrestricted fund balance in FY2013 is due to the implementation of GASB Statement No. 54, which caused the District to reclassify its formerly restricted net position relating to capital projects and other to unrestricted net position. Had the reclassification not taken place, the District's audited unrestricted fund balance would still have been above the two month minimum at 19.8%. The District's FY2013 audited Education Fund fund balance was equal to 3.1% of unrestricted operating expenses, which is lower than the FY2012 fund balance of 5.3% but remains above 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

[5] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, pp. 44-45.

to the District have been delayed and reduced. The Civic Federation commends the District for its discipline in maintaining a strong fund balance.

Formalizing Debt Policy

The Civic Federation supports the debt management policy formally adopted by the Board of Trustees on October 2, 2013. The policy provides a positive framework for managing City Colleges' debt costs while prohibiting negative short-term measures such as borrowing for operations or non-economic debt refunding.[6] The guidelines in the policy include:

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

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

Planning for Capital Projects with Transparency and Public Input

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

Reporting Cost Containment Strategies and Savings

During the past few years, the District has included a list of numerous cost containment strategies and corresponding savings estimates in its budget document. The District's cost containment strategies include conducting employee benefits review, cooperative purchasing

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[6] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 31.

agreements with other state and national agencies, negotiating multi-year utility rates, purchasing fuel for its vehicle fleet through City of Chicago fuel depots and implementing technological improvements to streamline operations.[7] 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.

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

In May 2013, the Illinois House amended and approved a bill to gradually transfer the responsibility of funding the normal cost of community college and university employee pensions from the State of Illinois to their employers. Community colleges and universities would take over the annual normal pension cost at a rate of 0.5% of payroll per year starting in the State's FY2015 until costs were fully shifted.[8] The Senate did not agree to the House's amendments before the spring legislative session ended in May 2013 but some university and community college officials expressed support for the proposal.[9] If the bill had gone effect, the District estimated that its employer pension contribution in FY2015 would have been approximately $1.0 million.[10] The Civic Federation commends the District for continuing to forecast for an increase in costs by incorporating a phased-in shift of the normal cost of the District's pension benefits into its expenditure forecasts even though the legislation has stalled in the Illinois General Assembly.

Civic Federation Concern

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

Sustainability of Flat Tuition Rates

For the last three years City Colleges has not raised tuition rates despite rising costs and reduced funding from other revenue sources. In the fall 2011 semester, tuition increased from $87 to $89 per credit hour where it has remained since. City Colleges' combined per credit hour tuition and fees are now the lowest among ten selected areas community colleges, falling from fifth highest in FY2012. The Civic Federation understands the District's intention to keep tuition rates flat at a time of financial hardship for many Chicago residents and again commends the strong financial management that has made flat tuition possible over the years. However, the Federation is concerned that if tuition rates continue to stay flat students may see a steep increase in tuition rates in the coming years as spending pressures mount, particularly from staffing expenses.

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[7] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 10-11.
[8] Senate Bill 1687, House Amendment 2:
http://ilga.gov/legislation/fulltext.asp?DocName=09800SB1687lv&SessionID=85&GA=98&DocTypeID=SB&DocNum=1687&print=true
[9] Hannah Douglas, "College officials support shifting pension costs to universities," *Pantagraph*, May 16, 2013.
[10] City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 6.

Civic Federation Recommendations

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

Phase Out Retiree Healthcare Subsidy

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

The District will continue to face reduced funding and increased demand for services. In this context, it is important for the District to prioritize the continuation of its funding of retiree healthcare costs against the other goals within its mission as an educational institution.

Improvements to Long-Term Financial Plan Process[11]

The Civic Federation commends the District's planned release of a formerly internal long-term financial plan with the FY2015 budget. The draft plan the Civic Federation reviewed successfully incorporated most of the elements of a best practice plan. Those elements are listed below. The main improvements the Civic Federation would recommend for future plans would be to include an enhanced description of strategies, actions and scenarios needed to address financial imbalances and other long-term issues and the lack of involvement of the public and other stakeholders in the development of the plan. However, City Colleges plans to update the plan through a public process this fall.

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.[12] The GFOA and the NACSLB have developed best practices in long-term financial planning. Recommended elements of a long-term financial plan include:[13]

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.

[11] See Maricopa Community College in Arizona and the City San Clemente, California as examples of well-developed long-term financial plans.
[12] National Advisory Council on State and Local Budgeting, *Recommended Budget Practices, (*Chicago: GFOA, 1998).
[13] 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).

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."[14]

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

Adopt a Formal Fund Balance Policy

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.[15] 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 important indicator of the government's financial ability to maintain current service levels.

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.[16] The Civic Federation supports these policies and commends the District for including additional guidelines in its FY2015 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.[17] However, the Civic Federation urges City Colleges to establish a formal fund balance policy for its unrestricted funds that meets the standard proposed

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[14] Government Finance Officers Association, "Long-Term Financial Planning for Governments," (http://www.gfoa.org/downloads/LTFPbrochure.pdf (last visited on July 3, 2013).
[15] 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.
[16] See the resolution on the City Colleges of Chicago's website at http://apps.ccc.edu/brpublic/2009/feb/29253.pdf.
[17] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 36.

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.[18] At a minimum, the Civic Federation urges City Colleges to establish a fund balance policy of maintaining a minimum ratio of unrestricted net assets to expenditures or revenues of 5%, which is recommended by the major rating agencies.[19]

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 five-year forecast of revenues and expenditures and lengthy narratives to help explain budgetary changes, the District's FY2015 tentative budget did not include some data that it has provided in prior years.

In the FY2014 tentative annual operating budget City Colleges provided a high level of detail by communicating the capital requirements by the type of expense and facility over a five-year period and its sources of funding. However, in its FY2015 tentative annual operating budget City Colleges did not provide the same level of detail relating to its updated five-year, $545.6 million Capital Improvement Plan (CIP) as it did in previous years. Providing a high level of detail on such a large capital spending plan allows stakeholders to know how their tax dollars are being spent and also builds support and trust in the plan. We understand this data will be incorporated into the approved budget, but would have been helpful in the tentative budget as well.

In addition, full-time equivalent (FTE) personnel data was not included in the FY2015 tentative budget. Although head count data by type of position and full- and part-time status was provided in the budget book, FTE data was excluded. With City Colleges of Chicago being such a personnel-intense enterprise, omitting such information may prevent stakeholders from having a clear and comprehensive understanding of the budget proposal. In the past, the District has included four years of historical staff trends and proposed staffing changes, including a comprehensive list of full-time equivalent (FTE) positions by position type. The breakdown of full- and part-time positions by administrative, professional and teaching staff is an important element of the tentative budget and should be provided to all stakeholders. A breakdown of personnel trends is also an important factor in understanding the operational strategies that have been implemented as part of *Reinvention*. In the interest of full transparency, the Federation

[18] Government Finance Officers Association, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted October 2009).
[19] Standard & Poor's, "U.S. Local Governments: Methodology and Assumptions," March 6, 2012.

recommends that the District include the full details of staffing adjustments necessary to implement the tentative budget.

Furthermore, City Colleges should provide a clear definition of unrestricted funds that is adhered to in all tables and summaries of unrestricted funds. Some tables and sections include certain funds as unrestricted and other exclude them, leading to confusion on comparability, given the description of what is included in the unrestricted funds on page 20 of the FY2015 tentative budget. In the interest of transparency for all stakeholders and particularly taxpayers, it is important that the budget document provides a clear and consistent way of communicating how it is spending taxpayer dollars in its budget.

Lastly, in the FY2015 tentative annual operating budget City Colleges only provides the net property tax revenue rather than gross property tax revenue. This is a shift from previous years' budgets that provided both net and gross property tax revenue. Again, we understand this will be included in the approved budget, but the data would have been helpful in the tentative budget.

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 received $14.1 million in supplemental State funds in FY2014 and will again in FY2015. 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. The Civic Federation plans to include this initiative in its Legislative Agenda for 2015.

Develop Tuition and Fee Policy

The Civic Federation recommends that City Colleges adopt the Government Finance Officers Association (GFOA) best practice of developing a charges and fees policy possibly including tying them to an annual escalator to help guide the board when making difficult budget decisions. One of the many benefits provided by a well-designed charges and fees policy is that it will “smooth charges and fees over several years rather than having uneven impacts” on the students.[20]

ACKNOWLEDGEMENTS

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

APPROPRIATIONS

The following section of this analysis presents information and trends regarding City Colleges' appropriations for all funds and for operating funds by object and by program. Except where noted, fiscal year 2015 appropriations are compared to actual expenditures for FY2011-FY2013 and FY2014 amended 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;[21]

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.[22]

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[20] Government Finance Officers Association, “Establishing Government Charges and Fees,” (http://www.gfoa.org/establishing-government-charges-and-fees). (last visited July 2, 2014)

[21] In FY2014 and FY2015 the Auxiliary/Enterprise Fund budget has been presented separately from the Unrestricted Operating Funds in some sections of the budget.

[22] Descriptions of the program categories may be found in City Colleges of Chicago FY2015 Tentative Annual Operating Budget on pages 18-19.

Appropriations for All Funds

The FY2015 City Colleges total proposed appropriations will be $723.5 million, which is a 7.8%, or $52.6 million, increase from FY2014 amended appropriations of $670.9 million. The FY2014 adopted budget was amended on August 1, 2013 to account for $12.4 million in additional resources from the State of Illinois and $1.6 million in additional auxiliary/enterprise revenues. Since FY2011 the District's total budget has increased by $252.4 million, or 53.6%. This five-year increase is driven by a $164.1 million, or 745.9%, increase in the capital budget. Restricted spending also increased by $28.5 million and unrestricted spending increased by $44.5 million. Additionally, the District has budgeted debt service payments for the second time since FY2008. City Colleges completed a $250 million debt issuance in FY2014 to support its capital plan and has budgeted $12.9 million to pay for principal and interest in FY2015.[23]

The District's operating budget will increase by 1.4%, or $7.3 million, to $524.5 million over FY2014 amended appropriations. 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 a substantial portion of its major building projects, as well as the improvement of existing structures.

As the following exhibit shows, unrestricted operating appropriations will increase by $3.2 million, or 1.0%, above FY2014 amended appropriations. City Colleges exercises maximum discretion over these resources, unlike restricted funds that must be used for specific purposes as established by statute or terms of a grant or loan. The District has increased its unrestricted operating budget slightly due to levying for expiring TIF increment and increased credit hour enrollment.[24] Restricted operating fund appropriations will increase by $2.3 million, or 1.2%. This increase in spending can be attributed to a combination of federal, state and local grants received and applied for.[25]

Capital appropriations will be 25.7% of total appropriations, totaling $186.1 million. Capital fund appropriations will increase by 26.0%, or $38.4 million, over FY2014 amended appropriations. FY2015 capital fund expenses are tied to a $545.6 million five-year capital plan that includes plans for a new Malcolm X College campus, a new Olive Harvey Transportation, Distribution, and Logistics Training Center and a series of enhancements and improvements to existing infrastructure and information technology.[26]

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[23] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 35.
[24] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 5.
[25] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 8.
[26] See the Capital section on page 32 of this report for more details on the City Colleges of Chicago capital plan.

City Colleges Appropriations for All Funds: FY2011-FY2015 (in $ millions)									
Fund Type	**FY2011 Actual**	**FY2012 Actual**	**FY2013 Actual**	**FY2014 Amended Budget**	**FY2015 Tentative Budget**	**Two-Year $ Change**	**Two-Year % Change**	**Five-Year $ Change**	**Five-Year % Change**
Operating Funds									
Unrestricted	$ 265.4	$ 301.0	$ 281.5	$ 306.7	$ 309.9	$ 3.2	1.0%	$ 44.5	16.8%
Enterprise	$ 12.0	$ 4.1	$ 8.6	$ 12.6	$ 14.4	$ 1.8	14.3%	$ 2.4	20.0%
Restricted	$ 171.7	$ 188.0	$ 153.1	$ 197.9	$ 200.2	$ 2.3	1.2%	$ 28.5	16.6%
Subtotal Operating	**$ 449.1**	**$ 493.1**	**$ 443.2**	**$ 517.2**	**$ 524.5**	**$ 7.3**	**1.4%**	**$ 75.4**	**16.8%**
Capital Fund	$ 22.0	$ 21.1	$ 17.4	$ 147.7	$ 186.1	$ 38.4	26.0%	$ 164.1	745.9%
Debt Service	$ -	$ -	$ -	$ 6.0	$ 12.9	$ 6.9	115.0%	$ 12.9	-
Total	**$ 471.1**	**$ 514.2**	**$ 460.6**	**$ 670.9**	**$ 723.5**	**$ 52.6**	**7.8%**	**$ 252.4**	**53.6%**

Note: Within the $517.2 operating total in the FY2014 budget book, $8 million was misclassified as Restricted instead of Unrestricted. The respective amounts are corrected above. The FY2014 amended budget includes supplemental appropriations approved at the City Colleges of Chicago Board meeting held on August 1, 2013. Differences from budget book may occur due to rounding.
Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 2; FY2014 Supplemental Appropriation, Adopted on August 1, 2013; FY2015 Tentative Annual Operating Budget, p. 5.

Operating Funds by Object[27]

The next exhibit shows changes in City Colleges' appropriations by object (line item) for the operating funds, including the Education Fund and Operations and Maintenance Fund. In this section, fiscal year 2015 proposed appropriations are compared to actual expenditures for FY2011.[28] Overall, appropriations for these operating funds will increase by $51.8 million, or 20.1%, from the actual FY2011 year appropriations to $309.9 million.

Salaries make up 69.0% of total proposed operating appropriations in FY2015 and made up 61.6% of total actual operating appropriations in FY2011. Appropriations for salaries will total $213.8 million in FY2015, up 34.4%, or $54.7 million, from $159.0 million in FY2011.[29] The increase over the five-year period, particularly within the FY2013 budget, can be attributed to reorganization of staffing for the City Colleges *Reinvention* initiative.[30] Other major factors contributing to the five-year increase in salary costs include negotiated increases agreed upon through collective bargaining, the hiring of specialized faculty members and increased security patrols at Malcolm X and Truman Colleges.[31]

At $33.2 million, appropriations for benefits will rise by 11.5%, or $3.4 million, over the five-year period.[32] The increases occur despite efforts to reduce personnel-related expenses, including

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[27] The Operating Funds by Object includes the Education and Operations & Maintenance Funds only, not the Auxiliary/Enterprise Fund.
[28] A misclassification of $8 million in funds in the FY2014 budget makes two-year comparisons unreliable. The approved FY2014 operating expenditure numbers by object are included for the reader's information, but updated operating expenditures by object were not available so two-year comparisons are not included.
[29] According to data provided by City Colleges of Chicago Finance department July 8, 2014, reclassified salary expenditures for FY2014 for the operating funds were $213.0 million, meaning salary expenditures will increase by 0.3% or $0.7 million in FY2015 from prior year expenditures.
[30] Information provided by City Colleges of Chicago Finance Department, June 19, 2012.
[31] Information provided by City Colleges of Chicago Finance Department, June 9, 2014.
[32] It is important to note that City Colleges has implemented a new methodology for allocating benefits to departments, which is reflected in FY2013, FY2014 and FY2015 data only. There is no impact of the methodology change in the aggregate budget; however, budgetary differences exist at the college level.

an agreement in FY2013 between City Colleges and labor unions to eliminate step increases and sick-day payouts for new employees and freezes of sick-day payouts for current employees.[33] In addition, benefits for non-union employees were changed to eliminate sick-day payouts for new employees, to freeze sick-day payouts for current employees, to increase health insurance co-payments and deductibles and to end premium-free lifetime retiree healthcare for senior leaders of City Colleges.[34] The District anticipates a net increase in benefit costs in FY2015 due in part to new healthcare coverage of part-time employees per the federal Affordable Care Act (ACA) and the implementation of new benefit programs.[35]

City Colleges Appropriations by Object of Expenditure
Operating Funds: FY2011-FY2015
(in $ thousands)

Object	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Approved Budget	FY2015 Tentative Budget	Five-Year $ Change	Five-Year % Change
Salaries	$ 159,046	$ 168,139	$ 181,192	$ 208,247	$ 213,769	$ 54,723	34.4%
Employee Benefits	$ 29,753	$ 29,384	$ 47,697	$ 29,461	$ 33,170	$ 3,417	11.5%
Contractual Services	$ 28,096	$ 22,705	$ 20,029	$ 21,714	$ 25,313	$ (2,783)	-9.9%
Materials/Supplies	$ 11,011	$ 13,212	$ 12,057	$ 12,312	$ 16,767	$ 5,756	52.3%
Travel/Conferences	$ 871	$ 1,019	$ 936	$ 1,243	$ 1,257	$ 386	44.3%
Fixed Charges	$ 2,751	$ 2,147	$ 2,855	$ 3,314	$ 3,338	$ 587	21.3%
Utilities	$ 9,832	$ 9,808	$ 9,042	$ 7,981	$ 7,921	$ (1,912)	-19.4%
Bad Debt	$ 2,658	$ 2,106	$ 3,140	$ 3,054	$ 1,662	$ (996)	-37.5%
Waivers and Scholarships	$ 3,756	$ 2,504	$ 5,117	$ 4,397	$ 5,226	$ 1,470	39.1%
Other Expenditures	$ 10,317	$ (11)	$ 540	$ 608	$ 1,457	$ (8,861)	-85.9%
Total	**$ 258,092**	**$ 251,014**	**$ 282,604**	**$ 292,332**	**$ 309,879**	**$ 51,787**	**20.1%**

Note: Within the total operating expenditures in the FY2014 budget book, $8 million was misclassified as Restricted instead of Unrestricted. The respective amounts are NOT corrected above. Operating Funds in this chart includes the Education and Operations & Maintenance Funds only.

Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 4; FY2014 Supplemental Appropriation, Exhibit 1, adopted August 1, 2013; and FY2015 Tentative Annual Operating Budget, p. 17.

Unrestricted Operating Funds by Program[36]

The following exhibit shows changes in the City Colleges' unrestricted operating budget by program between FY2011 and FY2015. The FY2015 Tentative Operating Budget is compared to the FY2011-FY2013 adopted and FY2014 amended budgets. The program categories are listed below.[37]

[33] 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.
[34] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. iii.
[35] New benefit programs include: Voluntary Short-Term Disability, Voluntary Critical Illness, Employee Assistance, and Maternity Leave. City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 9.
[36] The Unrestricted Operating Funds by Program includes the Education Fund, Operations and Maintenance Fund and Auxiliary/Enterprise Fund.
[37] Descriptions of the program categories may be found in City Colleges of Chicago FY2015 Tentative Annual Operating Budget on p. 22.

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

In the five-year period between FY2011 and FY2015, appropriations will increase by 3.7%, or $11.5 million, from $312.9 million to approximately $324.3 million. Over the five years, appropriations for instruction have been between 37.4% (FY2012) and 39.7% (FY2015) of the total unrestricted operating budget. In FY2015 the next largest program category will be institutional support at $73.6 million, followed by operations and maintenance at $42.1 million.

Other appropriation changes include:

- A 203.2%, or $12.1 million, increase in auxiliary/enterprise fund over the five-year period, rising from $6.0 million in FY2011 to $18.1 million in FY2015. This is largely due to increased efforts toward student recruitment, student services, client services and student engagements and increased funding for the arts and sciences. There was also a significant expansion of the Workforce Academy and Customized Training program and enhanced services at the public broadcasting channel WYCC.[38]

- A 21.7%, or $1.1 million, increase in scholarships, grants and waivers from the prior year. The increase in scholarships, grants and waivers is largely due to the expansion of Dual Enrollment seats for high school students and a new scholarship to help cover the increased costs of the GED test for qualified Adult Education students.[39]

[38] Information provided by City Colleges of Chicago Finance Department, June 30, 2014.
[39] Information provided by City Colleges of Chicago Finance Department, June 30, 2014.

City Colleges Appropriations by Program Unrestricted Operating Funds: FY2011-FY2015 (in $ thousands)									
Program	FY2011 Adopted Budget	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Amended Budget	FY2015 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five- Year $ Change	Five- Year % Change
Instruction	$ 121,958	$ 120,914	$ 122,360	$ 123,632	$ 128,820	$ 5,189	4.2%	$ 6,863	5.6%
Academic Support	$ 25,143	$ 27,828	$ 15,857	$ 17,252	$ 17,898	$ 645	3.7%	$ (7,245)	-28.8%
Student Services	$ 24,282	$ 34,166	$ 30,527	$ 36,773	$ 37,979	$ 1,207	3.3%	$ 13,697	56.4%
Public Service	$ 5,739	$ 5,666	$ -	$ 324	$ -	$ (324)	-100.0%	$ (5,739)	-
Organized Research	$ 1	$ -	$ 848	$ 294	$ -	$ (294)	-100.0%	$ (1)	-
Auxiliary/Enterprise	$ 5,959	$ 4,267	$ 12,979	$ 13,644	$ 18,067	$ 4,423	32.4%	$ 12,108	203.2%
Operations & Maintenance	$ 54,582	$ 51,239	$ 50,843	$ 44,800	$ 46,200	$ 1,400	3.1%	$ (8,382)	-15.4%
Institutional Support	$ 68,417	$ 71,442	$ 78,855	$ 69,464	$ 69,400	$ (64)	-0.1%	$ 983	1.4%
Scholarships, Grants, Waivers	$ 6,770	$ 7,999	$ 8,272	$ 4,833	$ 5,884	$ 1,051	21.7%	$ (886)	-13.1%
Total	**$ 312,850**	**$ 323,521**	**$ 320,541**	**$ 311,015**	**$ 324,247**	**$ 13,233**	**4.3%**	**$ 11,397**	**3.6%**

Note: Within the total operating expenditures in the FY2014 budget book, $8 million was misclassified as Restricted instead of Unrestricted. The respective amounts are NOT corrected above. The Unrestricted Operating Funds in this chart include the Education Fund, Operations & Maintenance Fund and the Auxiliary Enterprise Fund.

Source: City Colleges of Chicago FY2010 Annual Operating Budget, p. 85; FY2011, p. 78; FY2012, p. 67; FY2013, p. 65; FY2014 Supplemental Appropriation, Exhibit 2, Adopted August 1, 2013; FY2015 Tentative Annual Operating Budget, p. 63; and Email communication with City Colleges, June 30, 2014.

RESOURCES

The following section presents information and trends regarding City Colleges' resources, comparing FY2015 tentative resources for all funds by fund and by source. FY2015 resources are compared to FY2014 amended resources and adopted resources for FY2011-FY2013. The FY2014 adopted budget was amended on August 1, 2013 to account for $12.4 million in additional resources from the State of Illinois and $1.6 million in additional auxiliary/enterprise revenues.

Total Resources for FY2015

City Colleges expects to have a total of $725.0 million in net resources available for all funds in FY2015. All funds include operating funds, capital funds and federal and state student aid funds that are passed on to students by means of grants and Work Study.

The single largest revenue source will be appropriated capital reserves, which make up 24.4% of all resources or $177.0 million. Federal aid will provide the next greatest source of revenue at $173.1 million or 23.9% of all funds. City Colleges expects to disperse $111.2 million of federal aid through PELL, Supplemental Educational Opportunity Grants and Work Study.[40] Net property tax revenue will exceed anticipated tuition and fees revenue for FY2015, at $124.4 million and $115.0 million, respectively. Revenue from the State of Illinois will total $75.9 million, accounting for 10.5% of total resources. It is important to note that the State also makes contributions to the State Universities Retirement System (SURS) on behalf of City Colleges for most of the District's employees and this operating support is not reflected in the budget.[41] In FY2013, the most recent year for which audited data is available, State pension contributions were $63.8 million.[42]

[40] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 48.
[41] 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.
[42] Communications with City Colleges of Chicago staff.

City Colleges Net Resources for All Funds: FY2015		
Source of Revenue	**FY2015 Tentative Budget**	**% of Total**
Enterprise Funds	$ -	0.0%
Operating Funds	$ 1,300,000	0.2%
Capital Reserves	$ 176,977,720	24.4%
Subtotal Enterprise and Operating Funds & Reserves	**$ 178,277,720**	**24.6%**
Net Property Tax	$ 124,353,382	17.2%
Personal Property Replacement Tax	$ 14,347,468	2.0%
Tuition and Fees	$ 115,000,000	15.9%
Auxiliary/Enterprise	$ 14,858,386	2.0%
Investment Revenue	$ 1,500,000	0.2%
Local Government Grants	$ 16,827,702	2.3%
Subtotal Local Sources	**$ 286,886,938**	**39.6%**
State Government	$ 75,912,264	10.5%
Federal Government	$ 173,117,650	23.9%
Subtotal State & Federal Sources	**$ 249,029,914**	**34.3%**
Other Sources	$ 10,785,685	1.5%
Total	**$ 724,980,257**	**100.0%**

Source: City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 63.

All Funds by Source

City Colleges' total FY2015 resources of $725.0 million represent an increase of $53.9 million, or 8.0%, from the FY2014 budget of $671.1 million. Local sources will increase by $15.3 million, or 5.6%, primarily due to increases in Personal Property Replacement Tax (PPRT) revenue, property tax receipts and local government grants. Local government grants are projected to increase by $8.4 million, or 99.8%, and net property tax revenues will increase slightly by 2.9%, or approximately $3.4 million despite holding the property tax levy relatively flat. This increase stems from a recapture levy for expiring TIF funds.

State resources will decrease by $4.4 million, or 5.5%, falling from $80.3 million to $75.9 million. Federal resources will also decrease slightly, falling by 0.1% or $147,000. The federal funds represent primarily financial aid that is passed through to students, not revenues available for day-to-day operations. Other Sources of revenue, which are primarily income from facility rentals from the individual colleges, will increase substantially by $6.4 million, or 143.6%.

Total resources for all funds will increase by $143.1 million, or 24.6%, between the FY2011 adopted budget and the FY2015 tentative budget. The greatest dollar increase will occur in appropriated reserves, which will rise by $72.5 million, or 68.5%, over the five-year period. Resources from the State of Illinois will decrease by $12.0 million, or 13.7%, in the five-year period. Federal resources, however, are slated to increase $63.0 million, or 57.3%, from FY2011 to FY2015.

City Colleges of Chicago Net Resources for All Funds: FY2011 - FY2015 (in $ thousands)									
Sources of Revenues	**FY2011 Adopted Budget**	**FY2012 Adopted Budget**	**FY2013 Adopted Budget**	**FY2014 Amended Budget***	**FY2015 Tentative Budget**	**Two- Year $ Change**	**Two-Year % Change**	**Five- Year $ Change**	**Five-Year % Change**
Appropriated Reserves	$ 105,805	$ 128,000	$ 125,979	$ 141,433	$ 178,278	$ 36,845	26.1%	$ 72,473	68.5%
Net Property Tax Revenues	$ 117,238	$ 118,323	$ 120,808	$ 120,906	$ 124,353	$ 3,447	2.9%	$ 7,115	6.1%
Personal Property Replacement Tax	$ 14,500	$ 14,500	$ 14,500	$ 12,300	$ 14,347	$ 2,047	16.6%	$ (153)	-1.1%
Tuition and Fees	$ 113,340	$ 119,668	$ 113,939	$ 114,158	$ 115,000	$ 842	0.7%	$ 1,660	1.5%
Auxiliary/Enterprise	$ 11,157	$ 12,648	$ 14,285	$ 14,717	$ 14,858	$ 142	1.0%	$ 3,702	33.2%
Investment Revenue	$ 2,000	$ 1,000	$ 1,000	$ 1,100	$ 1,500	$ 400	36.4%	$ (500)	-25.0%
Local Government Grants	$ 16,884	$ 9,592	$ 7,352	$ 8,422	$ 16,828	$ 8,405	99.8%	$ (56)	-0.3%
Total Local Sources	**$ 275,118**	**$ 275,732**	**$ 271,884**	**$ 271,603**	**$ 286,887**	**$ 15,284**	**5.6%**	**$ 11,769**	**4.3%**
State Government	$ 87,950	$ 92,363	$ 109,641	$ 80,330	$ 75,912	$ (4,418)	-5.5%	$ (12,037)	-13.7%
Federal Government	$ 110,054	$ 156,964	$ 143,961	$ 173,265	$ 173,118	$ (147)	-0.1%	$ 63,064	57.3%
Subtotal State & Federal Sources	**$ 198,003**	**$ 249,326**	**$ 253,601**	**$ 253,595**	**$ 249,030**	**$ (4,565)**	**-1.8%**	**$ 51,027**	**25.8%**
Other Sources	$ 2,977	$ 3,780	$ 7,477	$ 4,428	$ 10,786	$ 6,357	143.6%	$ 7,809	262.3%
Total	**$ 581,903**	**$ 656,837**	**$ 658,940**	**$ 671,059**	**$ 724,980**	**$ 53,921**	**8.0%**	**$ 143,077**	**24.6%**

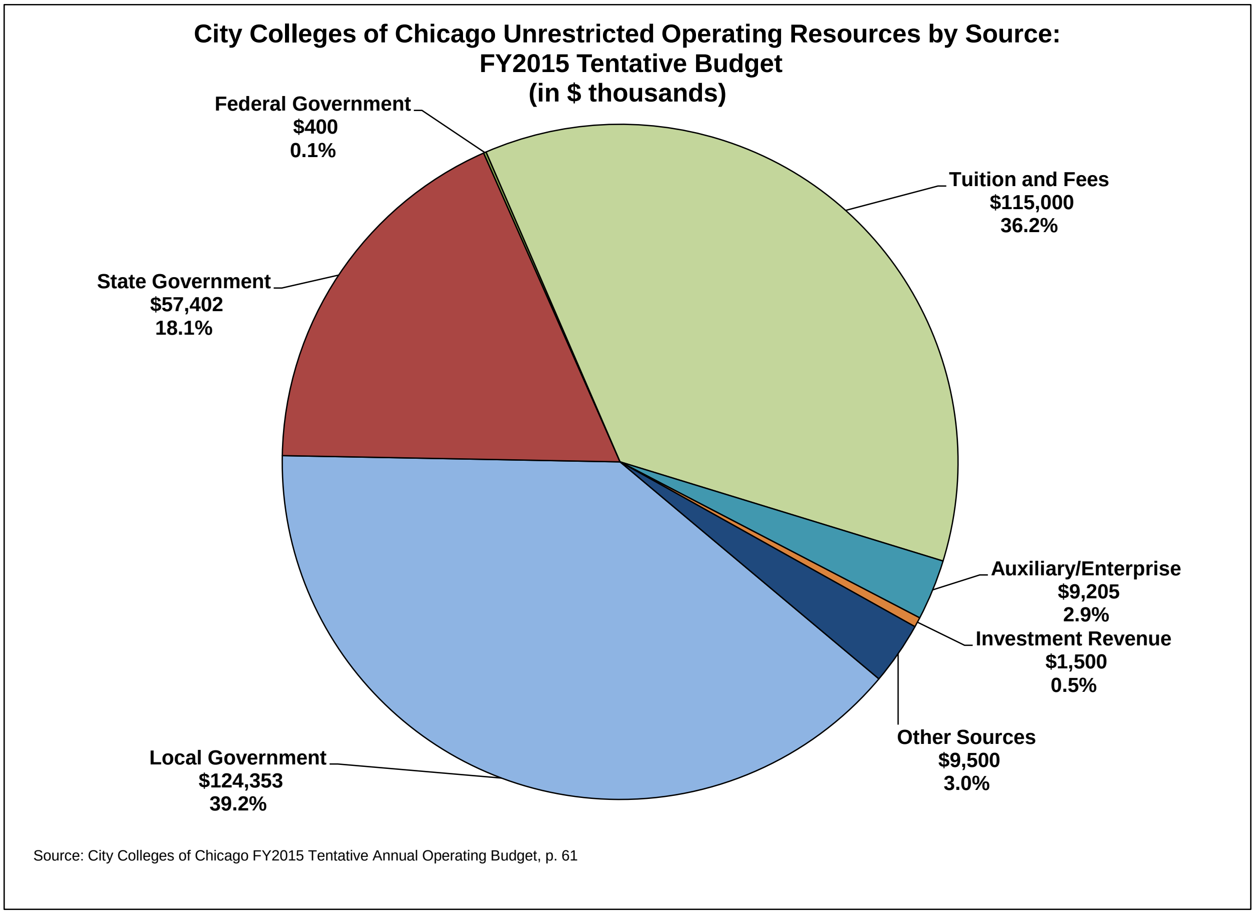
*FY2014 Amended Budget includes $12.4 million in State supplemental appropriations and $1.64 million in Auxilary/Enterprise appropriations that w ere approved at the August 1, 2013 Board of Trustees meeting.

Source: City Colleges of Chicago Adopted Budgets, FY2010, p. 83; FY2011, p. 77; FY2012, p. 67; and FY2013, p. 64; City Colleges of Chicago Tentative Annual Operating Budgets, FY2014 p. 65; FY2015, p. 61; Supplemental appropriations for FY2014 from Exhibit 1: Supplemental Appropriation for Fiscal Year ending June 30, 2014, p. 3.

Unrestricted Operating Funds for FY2015

City Colleges' operating funds consist of all funds except the Capital and Debt Service Funds and are used for daily operations, including pass-through grants of student aid to students from the federal and state governments. Unrestricted operating funds are those funds over which City Colleges has the most discretionary 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 FY2015 Tentative Annual Operating Budget projects that 57.4% of all unrestricted operating resources will come from state and local government sources while approximately 36.2% will be provided by tuition and fees.

[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 FY2015 Tentative Annual Operating Budget, p. 20.



Unrestricted Operating Funds by Source

Total unrestricted operating revenues will increase by 6.5%, or $19.7 million, rising above FY2013's $315.2 million and FY2014's $303.3 million. Local government unrestricted funds (i.e., property tax revenues) are expected to increase by approximately $3.4 million, or 2.9%. While the Property Tax Rate remains unchanged from FY2014, the increase in local tax revenues is from the new property tax extended levies against Recovered Tax Increment Value (RTIV), or expiring Tax Increment Financing (TIF) Districts within City Colleges' taxable property. While prior to FY2014 no federal government resources or personal property replacement tax revenues were used for unrestricted operating purposes, in FY2014 $267,000 in unrestricted operating funds came from the federal government. City Colleges expects that this number will grow to $400,000 in FY2015.

In the five-year period between FY2011 and FY2015, as shown in the chart below, total resources for unrestricted operating funds will rise by $11.0 million or 3.5%. Tuition and fees revenue will grow slightly by $413,000 while revenue from the State will fall by $7.7 million or 11.9%. Property tax revenues (local government unrestricted resources) will increase by 0.9%, or $1.2 million. Auxiliary/Enterprise revenue since FY2011 will increase the most in terms of absolute amount, growing by $11.4 million or 325.6%. 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.

City Colleges Resources for Unrestricted Operating Funds: FY2011-FY2015 (in $ thousands)									
Sources of Resources	FY2011 Audit	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Amended Budget	FY2015 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Local Government	$ 123,195	$ 118,323	$ 120,808	$ 120,906	$ 124,353	$ 3,447	2.9%	$ 1,159	0.9%
State Government	$ 65,150	$ 64,865	$ 58,323	$ 45,732	$ 57,402	$ 11,671	25.5%	$ (7,748)	-11.9%
Federal Government	$ 16	$ -	$ -	$ 267	$ 400	$ 133	49.7%	$ 384	2439.7%
Tuition and Fees	$ 114,587	$ 119,668	$ 113,939	$ 114,158	$ 115,000	$ 842	0.7%	$ 413	0.4%
Auxiliary/Enterprise	$ 3,491	$ 12,648	$ 14,285	$ 13,080	$ 14,858	$ 1,778	13.6%	$ 11,367	325.6%
Investment Revenue	$ 720	$ 1,000	$ 1,000	$ 1,100	$ 1,500	$ 400	36.4%	$ 780	108.3%
Other Sources	$ 4,889	$ 2,517	$ 6,857	$ 2,082	$ 9,500	$ 7,418	356.3%	$ 4,611	94.3%
Personal Property Replacement Tax	$ -	$ -	$ -	$ 6,000	$ -	$ (6,000)	-100.0%		
Total	**$ 312,048**	**$ 319,021**	**$ 315,212**	**$ 303,324**	**$ 323,014**	**$ 19,690**	**6.5%**	**$ 10,966**	**3.5%**

Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 63; FY2014 Amended Budget p. 61 and FY2015 Tentative Budget p. 63.

City Colleges Tuition Rates

The in-district tuition rate for City Colleges will remain flat in FY2015 at $89 per credit hour. This rate has increased gradually from $67 in FY2006. City Colleges' tuition and mandatory fees are well below both the mean tuition rate of $124.85 and the median tuition rate of $124.58 of the northeastern Illinois regional community colleges listed below. City Colleges' per credit hour tuition is the second lowest of the selected community college districts in the area, and the District's fees per credit hour are lower than the average fee amount of $19.09 for the ten colleges selected for comparison.

Fall 2014* Credit Hour Tuition and Fees for Selected Community College Districts			
College	In-District Tuition Per Credit Hour	Required Fees for Full-Time Students, pro-rated per credit hour**	Total
Prairie State College (Chicago Heights)	$ 119.00	$ 21.50	$ 140.50
College of DuPage (Glen Ellyn)	$ 107.15	$ 32.85	$ 140.00
South Suburban College (South Holland)	$ 120.00	$ 19.42	$ 139.42
Harper College (Palatine)	$ 110.25	$ 20.75	$ 131.00
Triton College (River Grove)	$ 108.00	$ 20.17	$ 128.17
College of Lake County (Grayslake)	$ 99.00	$ 22.00	$ 121.00
Oakton Community College (Des Plaines)	$ 103.25	$ 16.25	$ 119.50
Elgin Community College (Elgin)	$ 114.00	$ 0.42	$ 114.42
Morton College (Cicero)	$ 88.00	$ 20.83	$ 108.83
City Colleges of Chicago	**$ 89.00**	**$ 16.67**	**$ 105.67**

*Credit hour tuition and required fees for College of DuPage and South Suburban College reflect Fall 2013 rates. Oakton Community College and Elgin Community College tuition and fees are effective Summer 2014.

**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. For a listing of what fees were included for each college, see the Appendix.

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

City Colleges of Chicago Tuition per Semester Hour			
Year	In-District Tuition per Semester Hour	Out-of-District Tuition per Semester Hour	Out-of-State Tuition per Semester Hour
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	$ 89.00	$ 185.38	$ 236.59
2014	$ 89.00	$ 185.52	$ 233.84
2015 Budgeted	$ 89.00	$ 202.01	$ 249.71
10-Year Change	**$ 22.00**	**$ 39.36**	**$ (16.49)**

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

State Equalization Formula

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a district's taxable property wealth. Because the formula for distributing equalization grants does not account for the Property Tax Extension Limitation Law (PTELL, also known as "tax caps"), it assumes that a greater amount of property wealth is available to tax-capped districts than can actually be taxed without seeking approval of the voters through a referendum. Over time, this has meant that state funding for City Colleges has declined. The City Colleges equalization grant dropped from more than $16 million in FY2002 to $50,000 in FY2005 and down to $0 thereafter.[44]

As the current formula would have provided City Colleges with almost no revenue, the State awarded a $15.0 million grant to City Colleges in FY2005. Each year between FY2006 and FY2012, the State renewed the grant for $15 million. However, starting in FY2013, the State has awarded City Colleges $14.1 million, a 6% decline in funding. In its FY2015 budget, the District is assuming funding at $14.1 million for a third consecutive year.[45]

Property Tax Revenues

Property tax years are the same as calendar years. However, the City Colleges' fiscal year runs July 1 to June 30. There is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2014 will actually be received in 2015. The effect is that property tax funds available during the City Colleges' upcoming FY2015 will be drawn from part of tax year 2013 and part of tax year 2014.

In FY2015 City Colleges expects to receive a net total of approximately $124.4 million in property tax revenues, an increase of $3.4 million over the FY2014 amount. The increase in local tax revenues is due to an increase in the City Colleges property tax levy to capture revenue from expiring TIF districts within the City of Chicago. [46] The levy increase is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the $3.4 million for Chicago TIF district expenses. Now they will pay the $3.4 million instead as part of the City Colleges' levy.

All of the $124.4 million in net property tax revenues available in FY2015 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 certain bond funds, new property and expiring TIF increment. City Colleges currently levies for four operating funds, all of which are included under the state tax cap: the Education Fund; Operations and Maintenance Fund; Liability, Protection and Settlement Fund; and the Audit Fund. The distribution of net City Colleges' property tax revenues for FY2015 is shown below. Approximately $94.7 million, or 76.1%, is earmarked for the Education Fund, which is the City Colleges' general operating fund. Approximately $24.9 million, or 20.0%, of net property tax revenues is designated for operations

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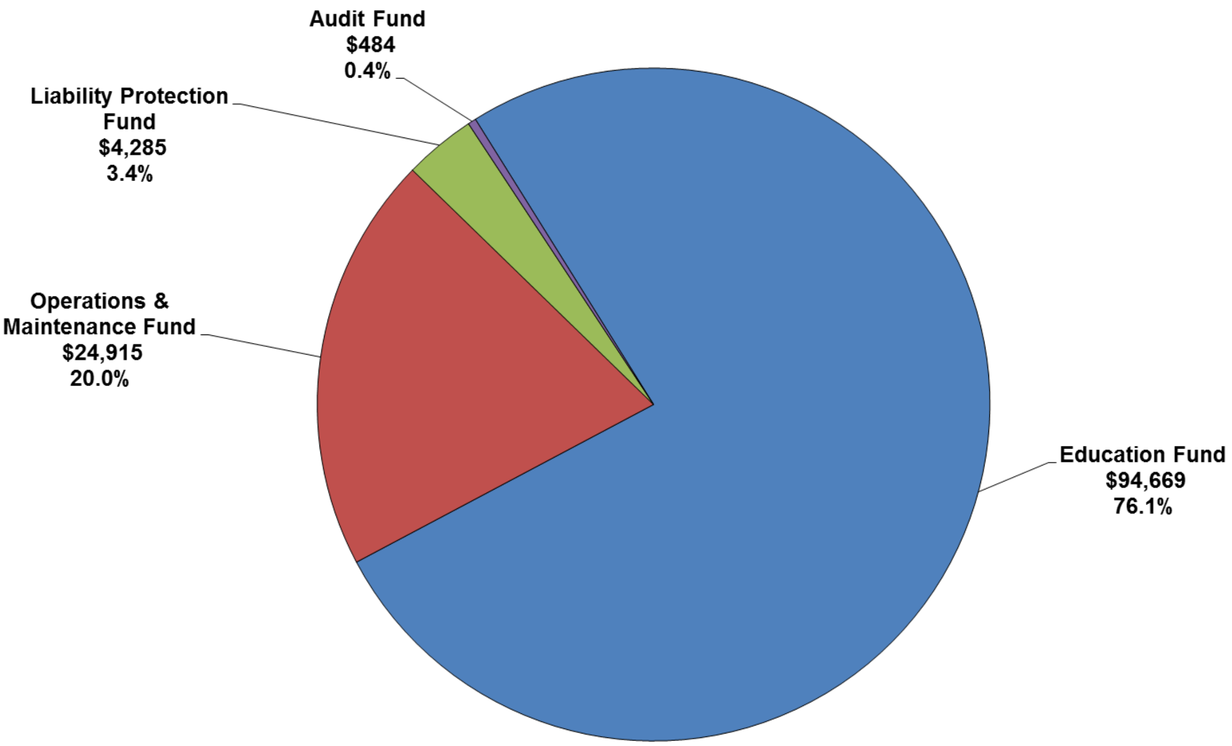
[44] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 45
[45] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 42
[46] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, pp. 44-45.

and maintenance and $4.3 million, or 3.4%, is reserved for liability, protection and settlement. The remaining amount, $484,000, or 0.4%, is earmarked for the Audit Fund.

Distribution of City Colleges FY2015 Net Property Tax Revenues by Fund (in $ thousands)



Source: City Colleges of Chicago FY2015 Tentative Annual Operating Budget, pp. 63-68.

Five-Year Property Tax Levy Trend

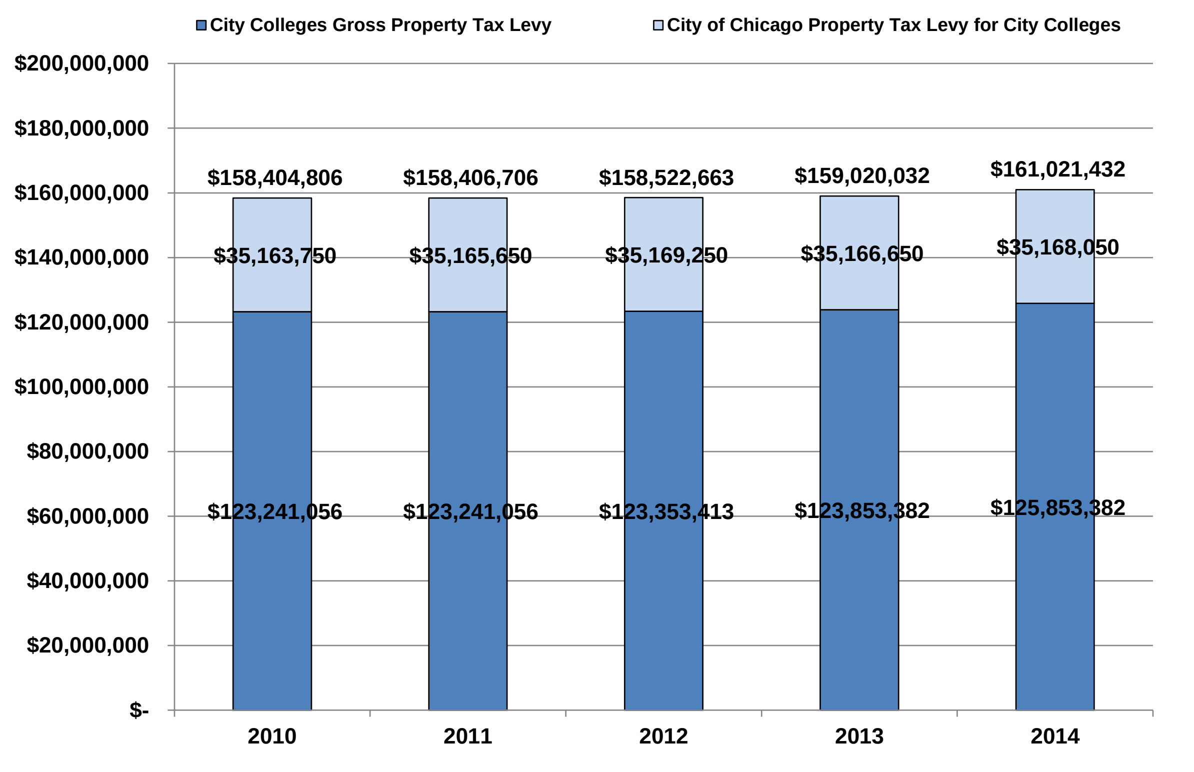
In tax year 2014 (taxes payable in calendar year 2015) the City Colleges property tax levy will total $125.9 million. In addition to its own property tax levy described above, City Colleges benefits from a property tax levied by the City of Chicago in order to pay debt service on capital improvement bonds issued for City Colleges' projects.[47] The City does so because of the expiration of District authority to levy for debt issued by the Public Building Commission (PBC) on behalf of City Colleges. Debt service limits for City Colleges were fixed at the time the tax cap law was implemented in 1995. At that time, the District's debt burden consisted of obligations issued through the PBC and paid for through a PBC Operations and Maintenance (O&M) levy. When these were paid, the O&M levy was eliminated, requiring the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for PBC Commission obligations and City Colleges' projects.[48]

[47] The City of Chicago similarly levies property taxes on behalf of the Chicago Public Schools.
[48] Information provided by City Colleges of Chicago, June 26, 2008.

The City levy on behalf of City Colleges does not represent an increase in taxing authority for the District, but rather is set at levels previously authorized for the O&M levy. Without these funds, it would be difficult for City Colleges to raise adequate funds for maintenance, rehabilitation and construction of capital improvements. The City's levy for the City Colleges' debt has remained relatively stable at approximately $35.2 million since tax year 2008. This levy is part of the City of Chicago tax rate and does *not* appear as a separate line item on property tax bills. Total property tax levies for City Colleges, including the City of Chicago levy for City Colleges' capital improvement bonds, increased from $158.4 million in tax year 2010 to $161.0 million in tax year 2014.

As illustrated below, the City Colleges' gross tax levy has increased by 2.1% from tax year 2010 from $123.2 million to $125.9 million in tax year 2014. The levy has remained relatively flat from tax year 2010 to tax year 2013, but will increase in tax year 2014 to capture revenue from expiring City of Chicago TIF districts. The year after a TIF district expires or is dissolved, a government overlapping the district —City Colleges in this case— is allowed to apply its tax rate (which was calculated without including the increment EAV in the tax base EAV, making the tax rate higher) to the increment EAV in order to generate additional revenue for City Colleges that would have previously gone to the TIF district. This expands the amount of property tax revenue City Colleges can access through its aggregate extension without increasing the taxes paid by taxpayers since the taxpayer previously paid the tax to the TIF District and will now pay it to City Colleges instead.

City Colleges Total Property Tax Levies, Including Levy by City of Chicago on Behalf of City Colleges: Tax Years 2010-2014



Source: City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 290.

ENROLLMENT TRENDS

Overall City Colleges projects that FY2015 enrollment will increase slightly from enrollment in FY2014.[49] The District reported a 7.0%, or 3,457 FTEs, decline in enrollment for adult education in the spring of 2014, as compared to FY2013 numbers.[50] Over two year period from FY2013 to FY2014, student enrollment in fell in City Colleges' largest instructional area, the career credit program, by 352 FTEs, or 1.1%. Enrollment rose slightly in the continuing education area by 9 FTEs, or 1.6%, as well as the vocational skills area, which saw a small increase in enrollment of 43 FTEs, or 8.6%.

Between FY2010 and FY2014, City Colleges FTE enrollment declined by 5.2%, or 2,499 FTEs, down from 47,773 to 45,274. While the greatest percentage increase in the five-year period in FTE enrollment came in the continuing education area, which grew by 7.6%, or 41 FTEs, the greatest number increase came in the career credit area, which saw enrollment grow 1,056 FTEs. Enrollment in the adult education area and vocational skills area both fell by 20.4%, by 3,457 and 139 FTEs respectively over the five-year period.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2010-FY2014

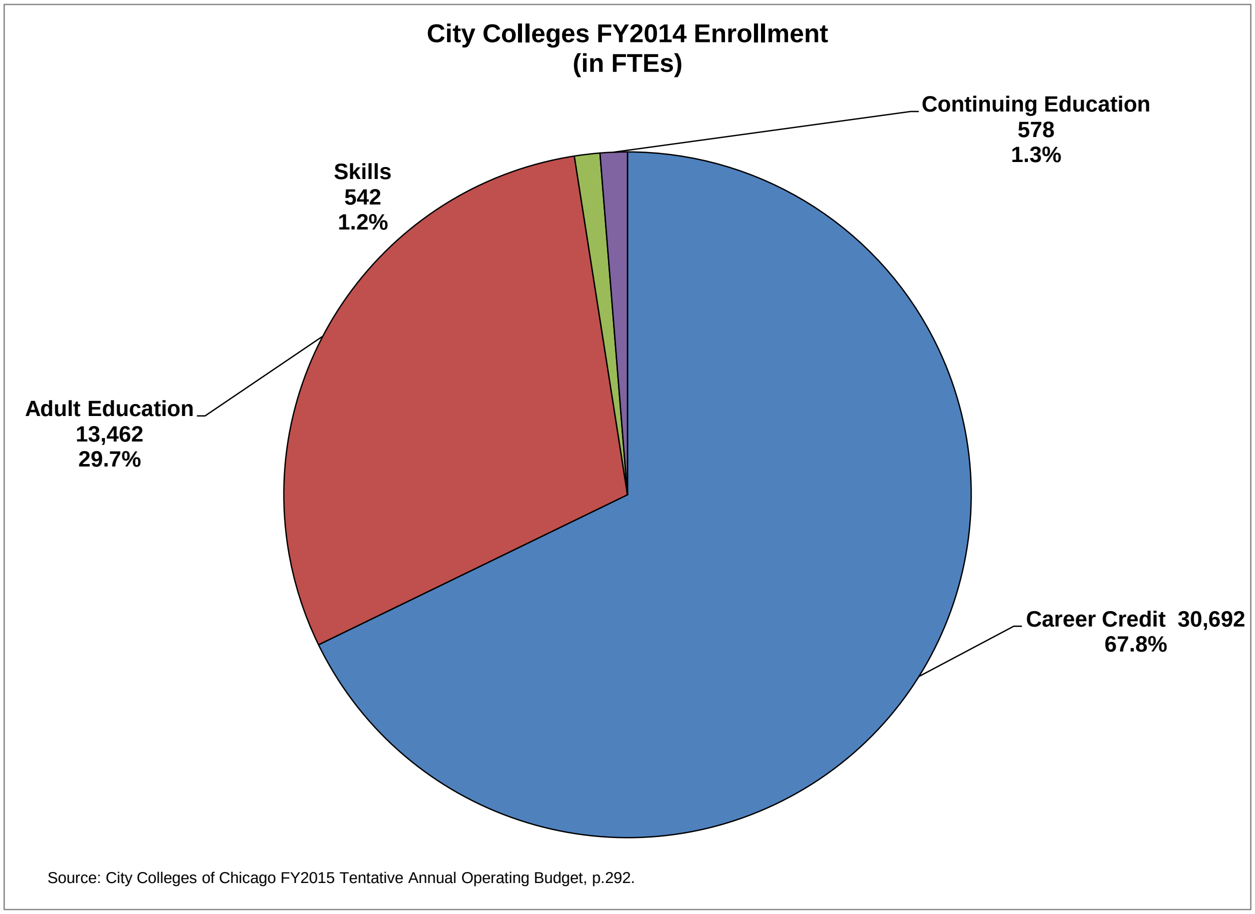
Type	FY2010	FY2011	FY2012	FY2013	FY2014*	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Career Credit	29,636	31,125	31,302	31,044	30,692	(352)	-1.1%	1,056	3.6%
Adult Education	16,919	15,048	13,689	14,476	13,462	(1,014)	-7.0%	(3,457)	-20.4%
Skills	681	444	492	499	542	43	8.6%	(139)	-20.4%
Continuing Education	537	636	659	569	578	9	1.6%	41	7.6%
Total	**47,773**	**47,253**	**46,142**	**46,588**	**45,274**	**(1,314)**	**-2.8%**	**(2,499)**	**-5.2%**

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

*FY2014 enrollment data is a preliminary estimate as of May 11, 2014.

Source: City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 292.

49 City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 6.
50 City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 293.



PERSONNEL AND PERSONNEL SERVICES

In its FY2015 tentative budget, City Colleges provides an employee headcount by position type and status for FY2012-FY2014 but does not include a headcount of employees for FY2015. However, City Colleges did provide the Civic Federation with the employee headcount for FY2015. Overall there is a 1.2%, or 52 employee, increase in employee headcount from FY2014.

The following section offers a limited analysis of personnel trends based on employee headcount data that was provided to the Civic Federation by City Colleges. Although full-time equivalent figures were not provided in the FY2015 budget, it is a good practice to provide such information because employee headcount is simply the number of employees working for the District regardless of hours worked. FTE data reflects the total hours worked by all employees as a factor of full-time employment. Generally, it is more useful and accurate to examine FTE data, as opposed to headcount data which represents the total number of individual employees including full-, part-time and student workers, because it helps to make varying workloads within the organization more comparable.

The following chart shows the District's total employee headcount for FY2013 through FY2015.

The FY2015 tentative budget indicates an overall increase in employee headcount of 52 employees from FY2014 levels. Full-time staff will increase by 166 employees, or 7.1%, while part-time staff will decrease by 114 employees, or 5.6%. All position types will experience an increase in full-time positions, with the largest percentage increases in Supervisors, Academic Support, Faculty and Professional and Technical Staff. The decrease in part-time staff is largely driven by a reduction in part-time Supervisors, Faculty and Clerical positions. Since FY2013 there has been an increase of 1,602 part-time employee positions and an overall increase of 1,659 employee positions.

City Colleges Employee Headcount by Position Type: FY2013-FY2015

Position Type	Status	FY2013	FY2014	FY2015 Tentative Budget	Two-Year # Change	Two-Year % Change	Three-Year # Change	Three-Year % Change
Faculty	Full Time	591	549	602	53	9.7%	11	1.8%
	Part Time	1,005	2,140	1,988	-152	-7.1%	983	97.8%
Custodial and Maintenance	Full Time	250	232	243	11	4.7%	-7	-2.8%
	Part Time	266	548	560	12	2.2%	294	110.7%
Professional and Technical Staff	Full Time	467	437	476	39	8.9%	9	1.9%
	Part Time	154	202	252	50	24.8%	98	63.5%
Academic Support	Full Time	198	188	208	20	10.6%	10	5.2%
	Part Time	229	412	430	18	4.4%	201	87.8%
Clerical	Full Time	438	434	456	22	5.1%	18	4.2%
	Part Time	136	167	154	-13	-7.8%	18	13.4%
Administrators*	Full Time	368	365	380	15	4.1%	12	3.4%
	Part Time	0	0	0	0	-	0	-
Student Workers	Full Time	2	1	1	0	-	-1	-50.0%
	Part Time	192	240	230	-10	-4.2%	39	20.1%
Supervisors	Full Time	24	23	29	6	26.1%	5	20.8%
	Part Time	57	45	26	-19	-42.2%	-31	-54.6%
Sub-Total	**Full Time**	**2,338**	**2,229**	**2,395**	**166**	**7.1%**	**57**	**2.5%**
	Part Time	**2,038**	**3,754**	**3,640**	**-114**	**-5.6%**	**1,602**	**78.6%**
Total Employee Headcount		**4,376**	**5,983**	**6,035**	**52**	**1.2%**	**1,659**	**37.9%**

Note: Different totals may appear due to rounding. The administrators line includes administrators for academic programs and College to Careers staffing.
Source: Communication with City Colleges of Chicago budget staff, June 30, 2014.

The following chart shows operating appropriations for salaries over the past five years. The FY2015 tentative budget appropriation of $213.8 million is a $769.0, or 0.4%, increase from the FY2014 approved budget. Over the five-year period, salaries have increased by $52.3 million, or 32.4%, while benefits have increased by $1.3 million, or 4.1%.

City Colleges Operating Funds Personnel Appropriations: FY2011-FY2015 (in $ thousands)									
	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Approved Budget	FY2015 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year $ Change
Salaries	$ 161,474	$ 168,139	$ 181,192	$ 213,000	$ 213,769	$ 769	0.4%	$ 52,295	32.4%
Total	**$ 161,474**	**$ 168,139**	**$ 181,192**	**$ 213,000**	**$ 213,769**	**$ 769**	**0.4%**	**$ 52,294.8**	**32.4%**

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

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.[51] Beginning in FY2011, many governments changed the way they reported fund balance per the implementation of the Governmental Accounting Standards Board (GASB) Statement 54, which reclassifies fund balance components within governmental funds. City Colleges of Chicago, however, is not required to implement the GASB changes because, as a public college system with primarily business-type activities, it is not required to report governmental funds.[52] 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' Comprehensive Annual 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.

City Colleges' Fund Balance Policy

In its FY2015 Tentative Annual Operating Budget, City Colleges refers to Resolution Number 29253 adopted on February 5, 2009 which recommends that unrestricted fund balance over 3% of the unrestricted funds actual expenses may be transferred to the Operations and Maintenance Fund subject to the Board's approval. This effectively maintains a 3% minimum unrestricted

[51] GFOA, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[52] 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.

funds fund balance.[53] The District included additional guidelines in its FY2015 tentative 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.[54]

Between FY2009 and FY2012, City Colleges' general operating funds' unrestricted net assets increased from 18.0% of operating expenses, or $67.1 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.[55]

City Colleges Unrestricted Fund Balance Ratio: FY2009-FY2012			
	Unrestricted Net Assets	Operating Expenses	Ratio
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, FY2009-FY2012.

The following chart presents unrestricted fund balance for FY2013. In this exhibit, the District's unrestricted net assets amount to $254.5 million, or 53.3% of operating expenditures. The District reclassified its formerly restricted net position relating to capital projects and other to unrestricted net position. City Colleges issued bonds in 1987 and 1988 and according to GASB Statement No. 54, the proceeds from the bonds should have been included in the unrestricted fund balance. Had the reclassification not taken place, the District's audited Unrestricted Net Assets for FY2013 would have totaled $94.3 million, lowering the FY2013 fund balance ratio to 19.8%, a drop of 0.8 percentage points from FY2012 but still above GFOA recommended minimum levels.[56]

City Colleges Unrestricted Fund Balance Ratio: FY2013			
	Unrestricted Net Assets	Operating Expenses	Ratio
FY2013	$ 254,548,655	$ 477,356,341	53.3%

Source: City Colleges of Chicago Comprehensive Annual Financial Report, FY2013

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

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[53] See the resolution on the City Colleges of Chicago's website at http://apps.ccc.edu/brpublic/2009/feb/29253.pdf.
[54] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 36.
[55] 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.
[56] Communication with City Colleges of Chicago budget staff, June 30, 2014.

CAFR because it is 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.[57] 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: FY2009-FY2013

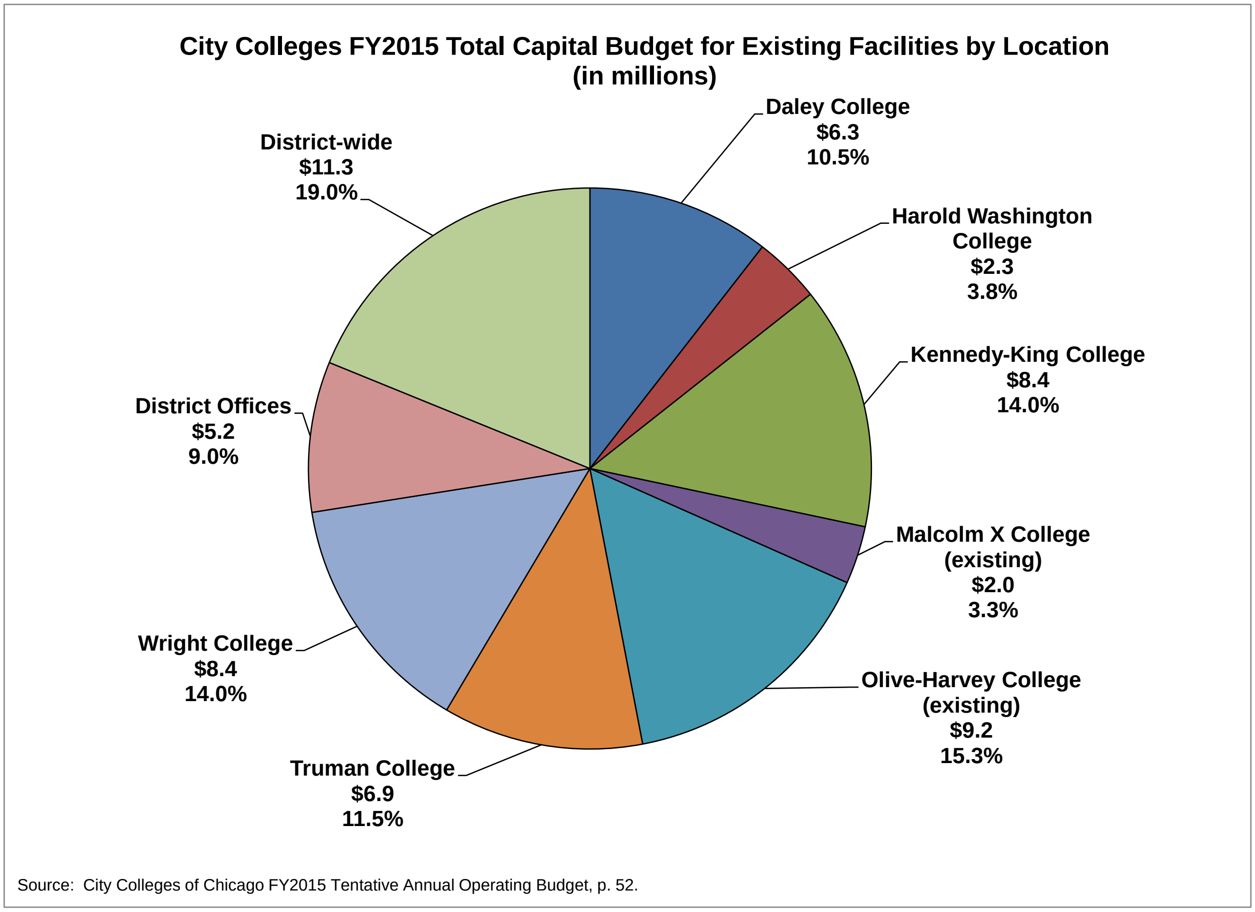
	Ending Fund Balance	Total Unrestricted Operating Expenses	Ratio
FY2009	$ 23,118,450	$ 254,534,063	9.1%
FY2010	$ 5,626,183	$ 257,190,787	2.2%
FY2011	$ 12,854,730	$ 261,140,766	4.9%
FY2012	$ 13,316,522	$ 251,192,088	5.3%
FY2013	$ 8,863,748	$ 284,405,193	3.1%

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, State Required Report Section, All Funds Summaries, FY2009-FY2013.

CAPITAL BUDGET

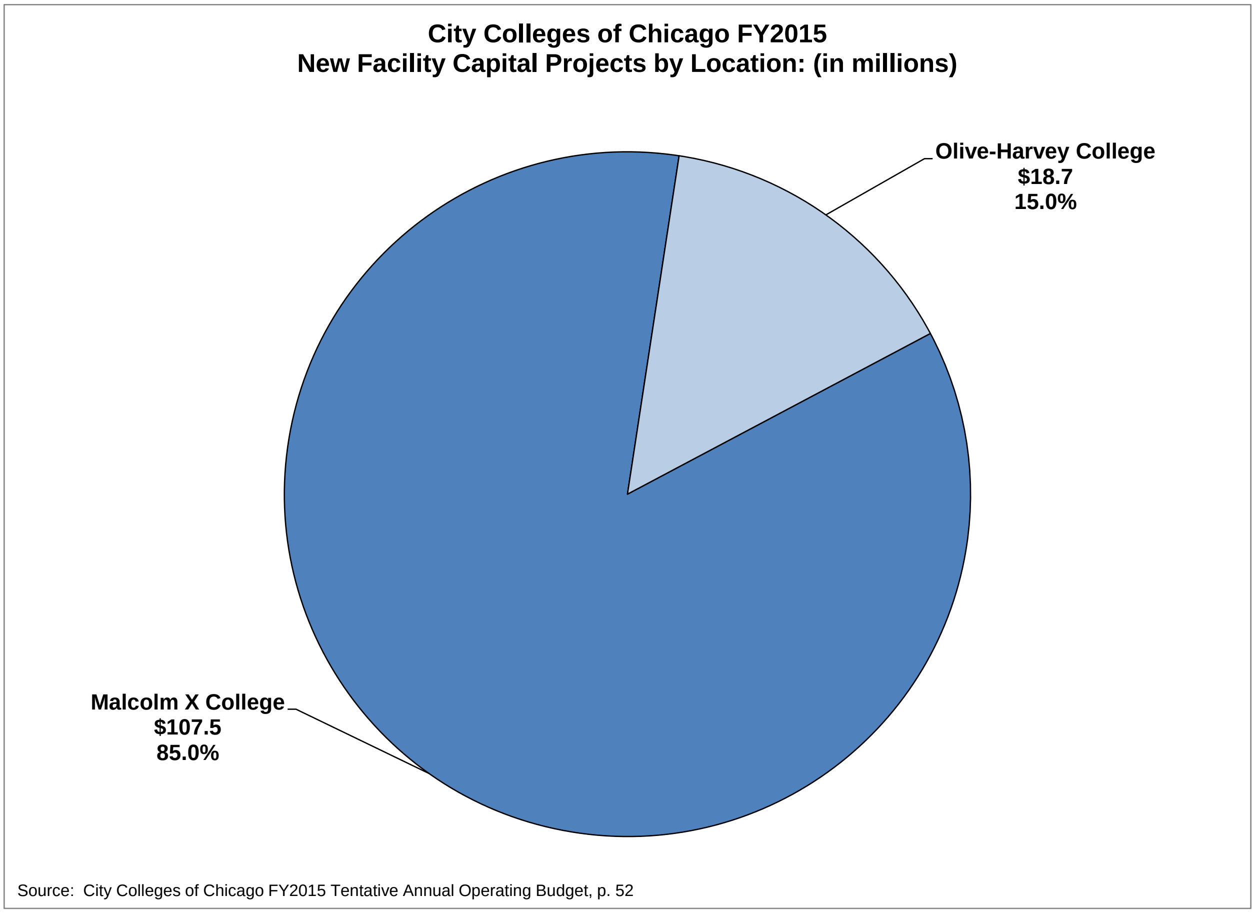
City Colleges prepares a capital budget at the same time as the operating budget. In FY2015 the total capital budget is proposed to be approximately $186.1 million; $126.1 million in new facilities construction and $59.9 million in academic enhancements and improvements to existing infrastructure and information technology.[58] The distribution of the $59.9 million in academic enhancements and improvements to existing infrastructures and information technology is shown below. The largest amount of capital spending at $11.3 million, or 19.0%, will be for District-wide improvements. The second largest amount totaling $9.2 million, or 15.3%, of all funding will be earmarked for Olive-Harvey College.

[57] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 36.
[58] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 51.



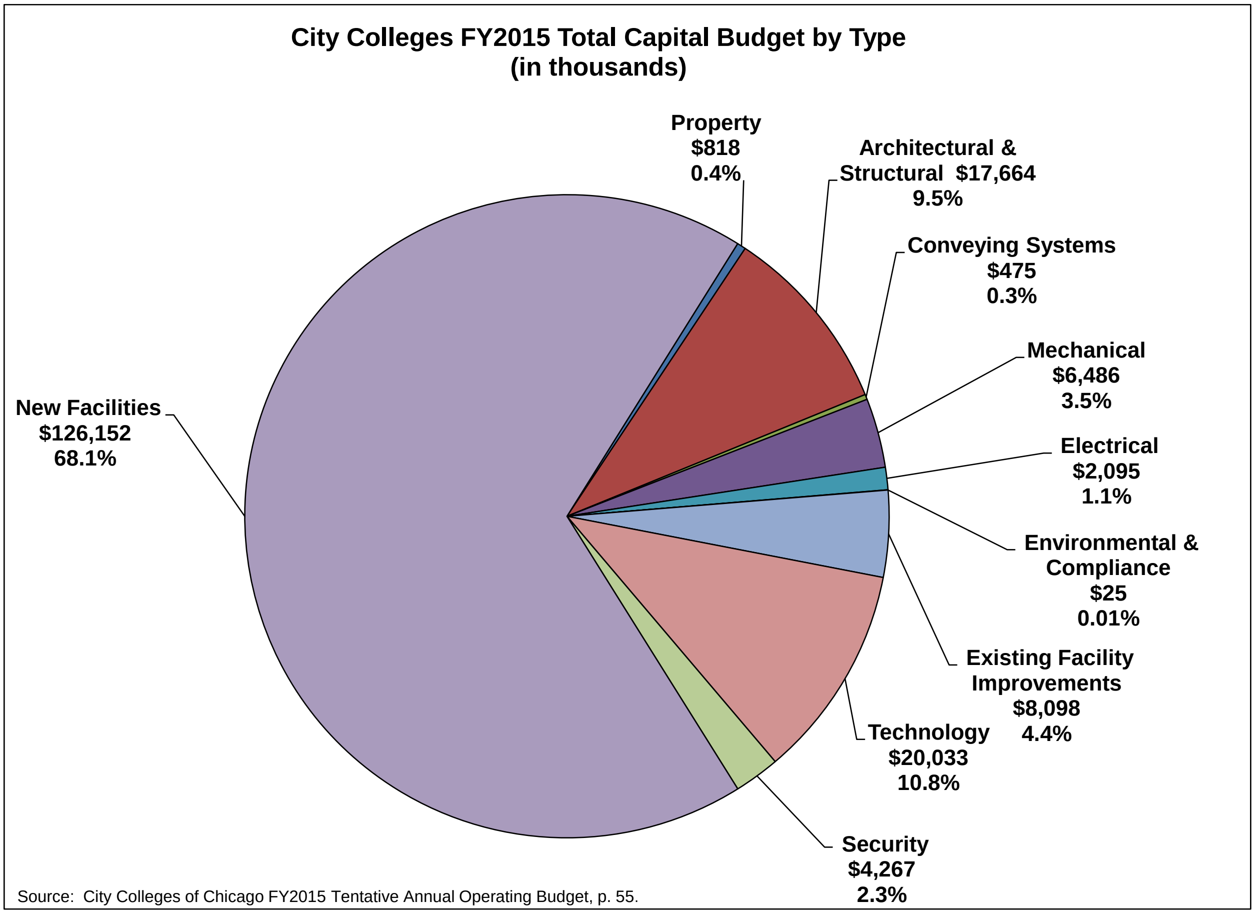
The next exhibit shows the portion of the FY2015 capital budget for new facility construction. Of the $126.1 million budgeted for new facility capital projects in FY2015, the largest amount, $107.5 million, or 85.0%, is for the new Malcolm X College campus housing the Allied Health Academy located near the Illinois Medical District. The remainder of the $126.1 million budgeted for new facility construction, $18.7 million, or 15.0% is for the new Transportation, Distribution and Logistics Center at Olive-Harvey College.[59]

[59] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 51.



The next exhibit shows the FY2015 total capital budget by type of expenditure. Approximately $126.2 million or 68.1% of the budget will be earmarked for new facilities while 9.5% or $17.7 million is reserved for architectural and structural purposes with the remaining capital budget being reserved for other enhancements and improvements throughout the district.[60]

[60] City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 51.



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.

A presentation of the updated $545.6 million CIP for FY2014-FY2018 in capital needs by type for City Colleges follows. This amount includes both projects that have funding and those that do not yet have funding secured. Approximately 54.4% of the total CIP amount, or $296.9 million, is projected for new facilities.

Approved Capital Projects by Type: FY2014-FY2018 (in $ thousands)						
Type	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**Total**
Equipment	$ 5,222	$ 818	$ 1,361	$ 415	$ 528	$ 8,344
Architectural & Structural	$ 30,800	$ 17,664	$ 5,605	$ 5,487	$ 4,753	$ 64,309
Conveying Systems	$ 513	$ 475	$ -	$ -	$ 780	$ 1,768
Mechanical	$ 12,874	$ 6,486	$ 12,251	$ 3,494	$ 955	$ 36,061
Electrical	$ 10,910	$ 2,095	$ 7,540	$ 3,733	$ 1,093	$ 25,372
Environmental & Compliance	$ 362	$ 25	$ 1,800	$ 63	$ 63	$ 2,313
Existing Facility Improvements	$ 21,493	$ 8,098	$ 4,665	$ 3,915	$ 3,758	$ 41,929
Technology	$ 19,836	$ 23,833	$ 8,945	$ 4,730	$ 4,475	$ 61,819
Security	$ 10,434	$ 4,267	$ 1,000	$ 625	$ 510	$ 16,836
New Facilities	$ 35,240	$ 126,152	$ 125,300	$ 10,200	$ -	$ 296,892
Original Capital Plan Total	**$ 147,684**	**$ 189,913**	**$ 168,467**	**$ 32,662**	**$ 16,916**	**$ 555,642**
Actual Savings	$ (5,000)					$ (5,000)
Budget Reductions		$ (3,800)	$ (200)			$ (4,000)
Anticipated Savings			$ (333)	$ (333)	$ (334)	$ (1,000)
Total	**$ 142,684**	**$ 186,113**	**$ 167,934**	**$ 32,329**	**$ 16,582**	**$ 545,642**

Notes: Actual savings were realized in FY2014 as a result of created efficiences. Budget reductions in FY2015 and FY2016 are in Technology spending. Anticipated saving in FY2016-FY2018 will come from design and construction efficiencies as well as economies of scale.
Source: City Colleges of Chicago Tentative Annual Operating Budget FY2015, p. 55

In FY2015 approximately $186.1 million of the roughly $545.6 million updated five-year CIP will be funded. This is a decrease of approximately $10.0 million from the original CIP adopted in FY2014. During FY2014 the District identified $10.0 million in savings through efficiencies and other cost reduction strategies.[61] Of the $545.6 million, about $509.0 million or 93.0% of the total will come from local sources such as cash available for capital purposes, tax increment financing and cash generated from operations. State source funds from the Illinois Capital Development Board totaling $37.0 million will provide monies for the remaining amount.

City Colleges Funding Sources for Capital Improvement Plan: FY2015-FY2018 (in $ millions)	
	FY2015-FY2018
Sources	
Cash available for capital purposes	$ 187
Illinois Capital Development Board Contribution	$ 37
Cash generated by operations	$ 60
City of Chicago TIF (Wilson Yard TIF)	$ 12
Bond Proceeds	$ 250
Total	**$ 546**

Note: Differences from budget book may occur due to rounding.
Source: City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 54.

The dollar amount of approved capital projects by location for the FY2014-2018 CIP was not provided in the FY2015 Tentative Annual Operating Budget. However, City Colleges of Chicago will provide this level of detail in the FY2015 Final Approved Budget.[62]

[61] City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 54.
[62] Communication with City Colleges of Chicago budget staff, June 30, 2014.

LIABILITIES

This section of the analysis provides an overview of City Colleges' short- and long-term liabilities from FY2009 through FY2013, the most recent year for which audited data are available.

Short-Term Liabilities

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. City Colleges of Chicago currently reports no short-term debt, but does include the following short-term liabilities in the report of net position in its annual Comprehensive Annual Financial Report:[63]

- Accounts payable: monies owed to vendors or employees for goods and services;
- Accrued payroll: employee pay carried over from previous years;
- Deposits held in custody: funds owed to student organizations and other outside entities included in the institution's endowment investment fund;
- Accrued property tax refunds: held in lieu of the property tax appeals process;[64]
- 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 FY2013, the most recent year that data is available, total short-term liabilities decreased by $3.8 million from the previous year, or by 6.6%. The decrease in short-term liabilities is primarily the result of the early implementation of GASB Statement No. 65 by City Colleges that reclassified deferred property tax revenues to deferred inflows of resources. Between FY2009 and FY2013, current liabilities rose by 23.2%, or $10.3 million. The following chart shows short-term liabilities by category and the percent change over the previous year and past five years.

City Colleges Short-Term Liabilities: FY2009-FY2013
(in $ thousands)

Current Liability	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accounts Payable	$ 11,748.8	$ 14,952.2	$ 21,185.0	$ 21,635.8	$31,427.7	$ 9,791.9	45.3%	$ 19,678.9	167.5%
Accrued Payroll	$ 6,646.1	$ 7,240.1	$ 7,542.7	$ 2,500.6	$ 3,438.7	$ 938.0	37.5%	$ (3,207.5)	-48.3%
Deposits Held In Custody	$ 2,117.5	$ 1,991.3	$ 1,610.3	$ 1,402.6	$ 1,414.0	$ 11.5	0.8%	$ (703.4)	-33.2%
Accrued Property Tax Refunds	$ 12,275.3	$ 8,305.6	$ 6,292.2	$ 9,671.6	$ -	$ (9,671.6)	-	$ (12,275.3)	-
Other Liabilities	$ 10,456.2	$ 13,546.1	$ 21,196.5	$ 22,206.1	$17,639.8	$ (4,566.3)	-20.6%	$ 7,183.6	68.7%
Other Accruals	$ 1,259.8	$ 449.9	$ 973.9	$ 1,245.0	$ 896.2	$ (348.8)	-28.0%	$ (363.7)	-28.9%
Total Current Liabilities	**$ 44,503.7**	**$ 46,485.2**	**$ 58,800.6**	**$ 58,661.7**	**$54,816.4**	**$ (3,845.3)**	**-6.6%**	**$ 10,312.7**	**23.2%**

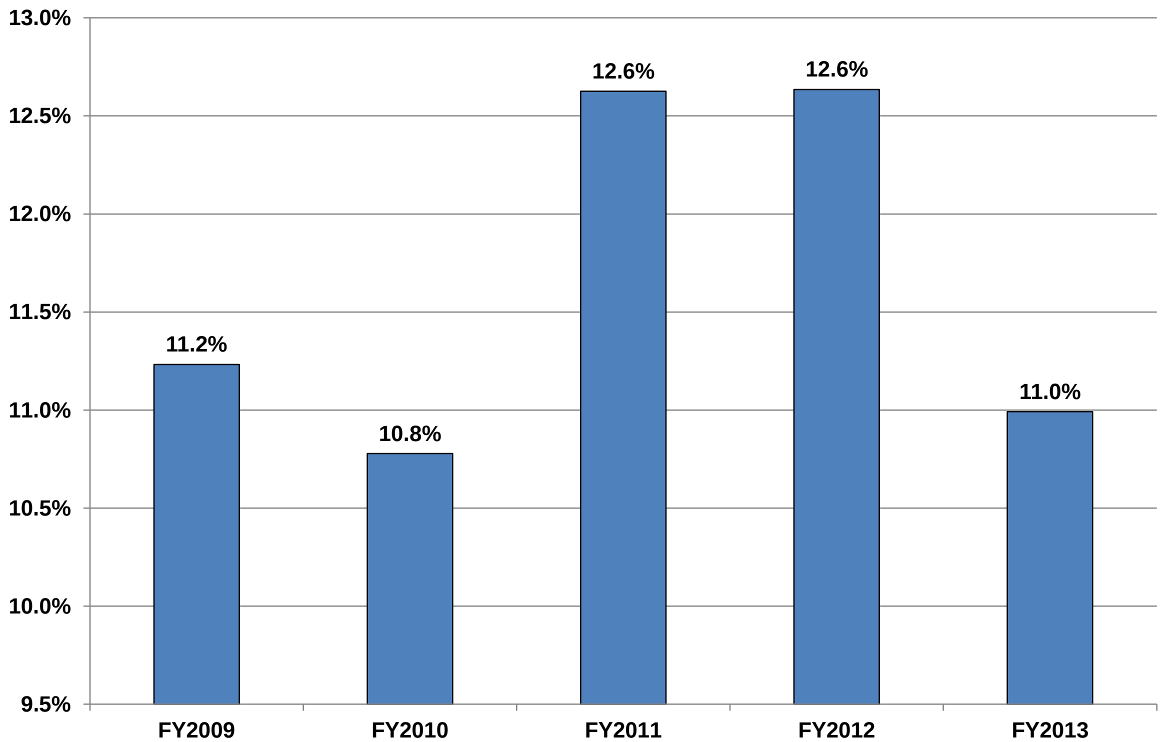
Note: Accrued property tax refunds were reclassified in 2013 and are now included in non-current liabilities as a result of implementation of GASB Statement No. 65.
Source: City Colleges CAFRs, FY2009-FY2013.

[63] City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 16.
[64] The implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. In fiscal year 2013, City Colleges implemented this standard early, which resulted in a reclassification of deferred property tax revenues to deferred inflows of resources.

Increasing current liabilities, as a percentage of net operating revenues, may be a warning sign of a government's future financial difficulties.[65] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

The ratio of short-term liabilities to operating revenue has fluctuated over the past five years from a low of 10.8% in FY2010 to a high of 12.6% in FY2011 and FY2012, with an average of approximately 11.7%. Between FY2009 and FY2013, the ratio fell from 11.2% to 11.0%. The increase in the ratio in FY2011was largely due to a $6.2 million, or 41.7%, increase in accounts payable. The ratio was driven down between FY2012 and FY2013 due to increases in operating revenues of $34.4 million and declines in short-term liabilities of $3.8 million over the two years. The decline in short-term liabilities included a 20.6% reduction in other liabilities, a 28.0% reduction other accruals and a 100% reduction in accrued property tax refunds. The decrease in the ratio in FY2013 was largely due to the reclassification of accrued property tax refunds from a current liability to a long-term liability.

City Colleges of Chicago Short Term Liabilities as a % of Total Operating Revenues: FY2009-FY2013

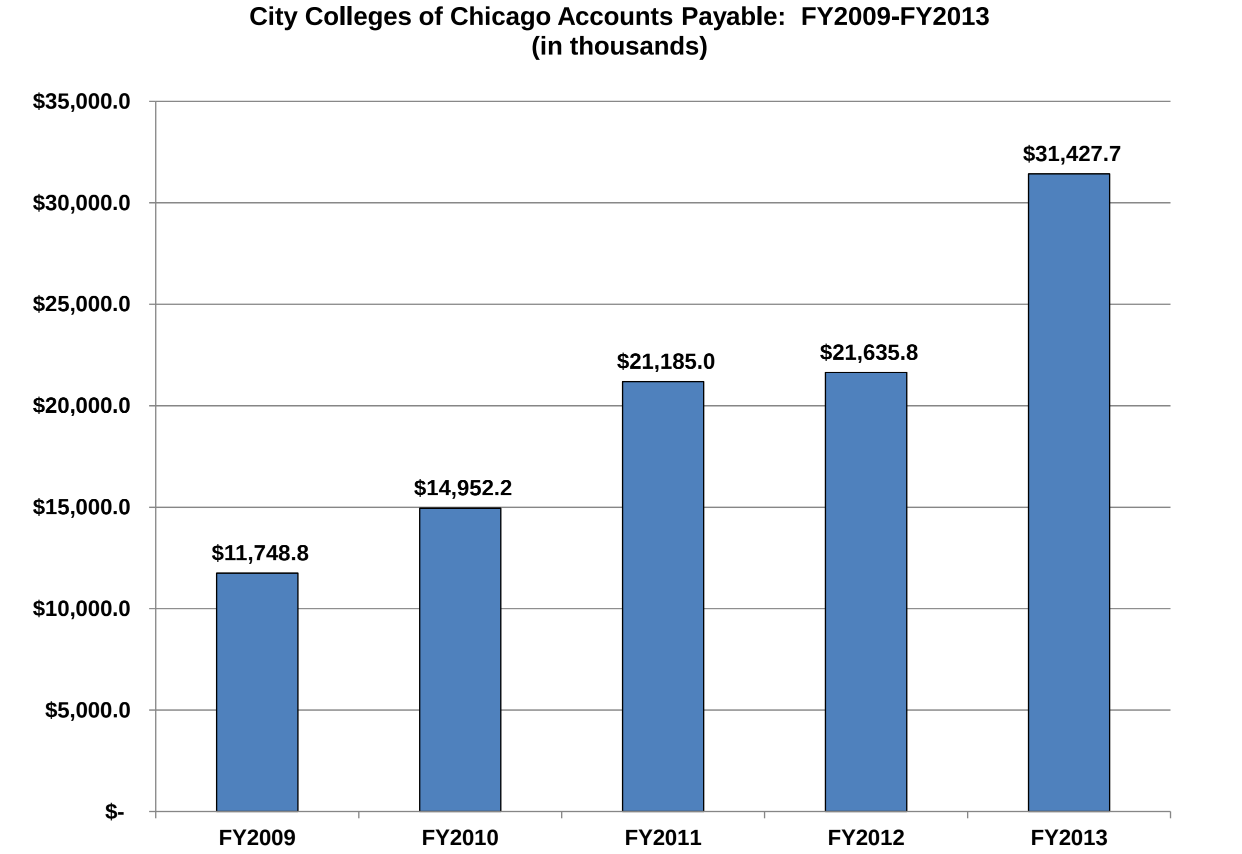


Note: Accrued Property Tax Refunds were reclassified in 2013 and are now included in non-current liabilities as a result of the implementation of GASB Statement No. 65.
Source: City Colleges of Chicago, CAFR, FY2009-FY2013.

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

Accounts Payable

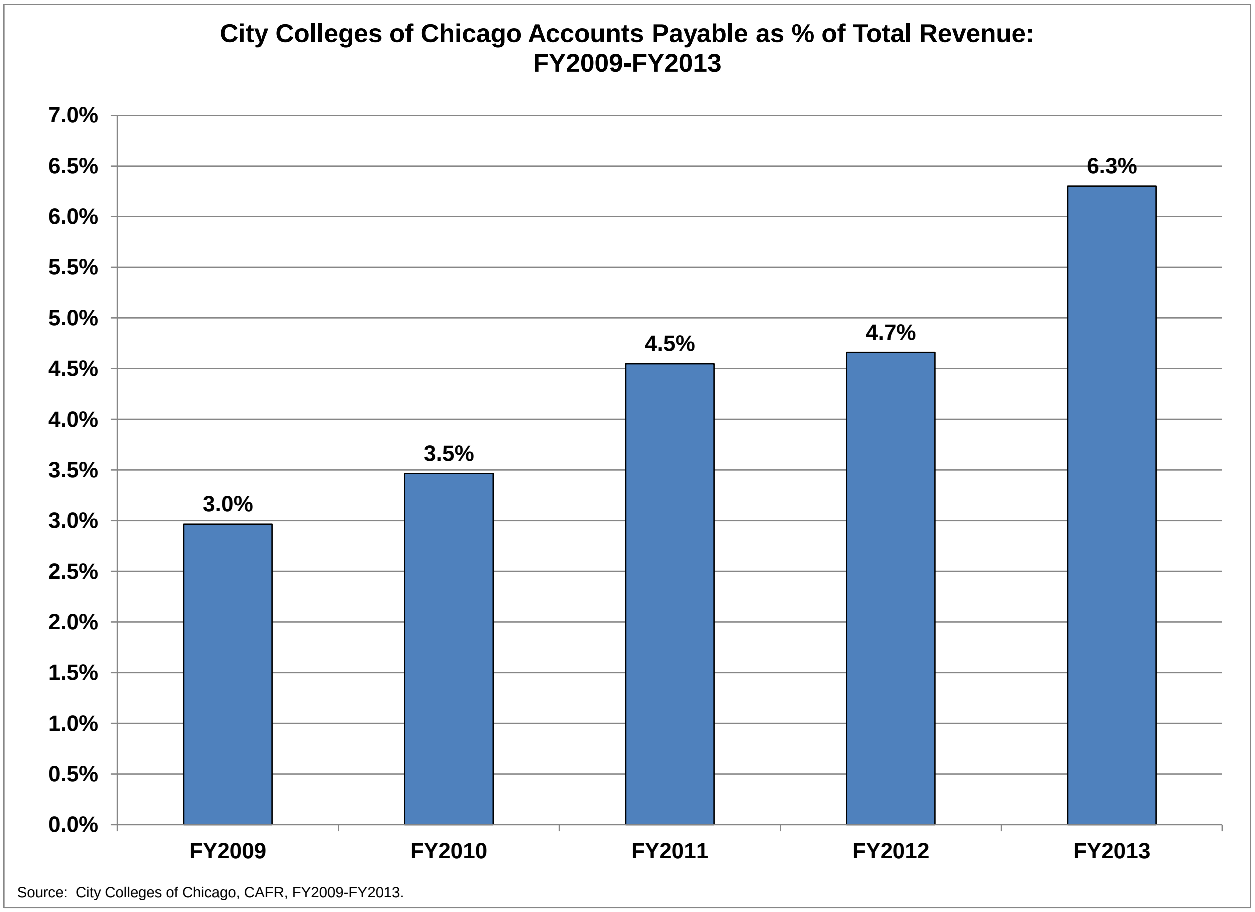
Between FY2009 and FY2013, the amount of accounts payable reported by City Colleges grew from \$11.7 million in FY2009 to \$31.4 million in FY2013. The trend over the last five years is a 167.5%, or nearly \$19.6 million, growth in accounts payable. Between FY2012 and FY2013, accounts payable increased by \$9.8 million, or 45.3%. The increase in FY2013 can be attributed to the accrual of \$9.6 million for a prior-year liability.[66]



Source: City Colleges of Chicago, CAFR, FY2009-FY2013.

The next exhibit shows the ratio of accounts payable to operating revenues. The chart below reflects the steady increase in accounts payable liabilities over the past five years, as also indicated in the chart above. Although the ratios are not very large, steady increases in this ratio can be a warning sign of fiscal distress. The increase from 4.7% in FY2012 to 6.3% in FY2013 can be attributed to a 45.0% increase in operating revenues and a 7.0% increase accounts payable.

[66] Communication with City Colleges of Chicago budget staff, June 30, 2014.



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.[67] 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

[67] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations,* 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.[68]

The City Colleges' current ratio was 6.7 in FY2013, the most recent year for which data is available. In the past five years, the District's current ratio averaged 6.0, which is far greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2009 and FY2013, the current ratio grew from 6.5 to 6.7 primarily because of a growth in cash and cash equivalents and short-term investments in current assets and a decrease in current liabilities caused by the reclassification of accrued property tax refunds in FY2013.

City Colleges Current Ratio:
FY2009 - FY2013 (in $ thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013	Five-Year $ Change	Five-Year % Change
Current Asset							
Cash and cash equivalents	$ 1,341.1	$ 43,354.4	$119,912.9	$102,797.8	$ 88,030.0	$ 86,688.9	6464.0%
Short-term investments	$161,735.9	$152,669.3	$ 91,408.2	$137,167.3	$178,811.9	$ 17,076.0	10.6%
Property taxes receivable, net	$ 67,584.7	$ 59,574.9	$ 56,673.6	$ 57,546.7	$ 58,522.1	$ (9,062.6)	-13.4%
PPRT taxes receivable	$ 2,119.5	$ 2,074.1	$ 1,858.4	$ 1,707.3	$ 2,584.5	$ 465.0	21.9%
Other accounts receivable, net	$ 54,546.9	$ 26,946.7	$ 34,759.4	$ 38,605.1	$ 37,204.1	$(17,342.8)	-31.8%
Prepaid items and other assets	$ 155.7	$ 44.0	$ 46.8	$ 189.2	$ 90.7	$ (65.0)	-41.8%
Total Current Assets	**$287,483.8**	**$284,663.4**	**$ 304,659**	**$ 338,013**	**$ 365,243**	**$ 77,759.5**	**27.0%**
Current Liability							
Accounts Payable	$ 11,748.8	$ 14,952.2	$ 21,185.0	$ 21,635.8	$ 31,427.7	$ 19,678.9	167.5%
Accrued Payroll	$ 6,646.1	$ 7,240.1	$ 7,542.7	$ 2,500.6	$ 3,438.7	$ (3,207.5)	-48.3%
Deposits Held In Custody	$ 2,117.5	$ 1,991.3	$ 1,610.3	$ 1,402.6	$ 1,414.0	$ (703.4)	-33.2%
Accrued PropTax Refunds*	$ 12,275.3	$ 8,305.6	$ 6,292.2	$ 9,671.6	$ -	$(12,275.3)	-100.0%
Other Liabilities	$ 10,456.2	$ 13,546.1	$ 21,196.5	$ 22,206.1	$ 17,639.8	$ 7,183.6	68.7%
Other Accruals	$ 1,259.8	$ 449.9	$ 973.9	$ 1,245.0	$ 896.2	$ (363.7)	-28.9%
Total Current Liabilities	**$ 44,503.7**	**$ 46,485.2**	**$ 58,800.6**	**$ 58,661.7**	**$ 54,816.4**	**$ 10,312.7**	**23.2%**
Current Ratio	**6.5**	**6.1**	**5.2**	**5.8**	**6.7**		

Note: Accrued Property Tax Refunds were reclassified in 2013 and are now included in non-current liabilities. Accrued Property Tax Refunds for FY2009-FY2012 were kept in the current liabilities for comparabiltiy purposes.
Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2009-FY2013, Statement of Net Assets and Statement of Net Position.

Long-Term Liabilities

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

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

- *Accrued Compensated Absences* are liabilities owed for current employees' time off with pay for vacations, holidays and sick days;
- *Accrued Property Tax Refunds* are property taxes that may be refunded to taxpayers in the future;
- *Sick Leave Benefits* are payments to retirees for accumulated unused sick days;[69]

[68] City Colleges of Chicago FY2013 Comprehensive Annual Financial Report, p. 17.

- *Net Other Post-Employment Benefit (OPEB) liabilities* is the cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB cost and the employer's contributions to its OPEB Plan.[70]

At $67.2 million in FY2013, the District's long-term liabilities increased by 31.8% from FY2012 and by 67.6% from FY2009. The largest increase was for accrued property tax refunds, which was included in the long-term liabilities due to the reclassification following the implementation of GASB Statement No. 65. OPEB liabilities rose by 15.1%, from $30.8 million in FY2012 to $35.5 million in FY2013. The liability for sick leave benefits increased by 1.9% and accrued absences liabilities increased by 19.2% from the prior year. Between FY2009 and FY2013, OPEB liabilities increased by $18.2 million, or 104.9%. The steady increase in retiree healthcare costs over the five-year period is a serious cause for concern.[71]

City Colleges Long Term Liabilities: FY2009-FY2013
(in $ thousands)

Liability	FY2009	FY2010	FY2011	FY2012	FY2013	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accrued Compensation Absences	$ 2,682	$ 2,904	$ 2,736	$ 2,656	$ 3,166	$ 509	19.2%	$ 484	18.0%
Accrued Property Tax Refunds	$ -	$ -	$ -	$ -	$ 10,737	$ -	-	$ -	-
Sick Leave Benefits	$ 20,108	$ 19,534	$ 19,270	$ 17,505	$ 17,834	$ 329	1.9%	$ (2,274)	-11.3%
Other Post-Employment Benefits	$ 17,304	$ 22,308	$ 26,712	$ 30,820	$ 35,460	$ 4,640	15.1%	$ 18,156	104.9%
Total	**$ 40,094**	**$ 44,746**	**$ 48,718**	**$ 50,981**	**$ 67,197**	**$ 16,216**	**31.8%**	**$ 27,103**	**67.6%**

Note: Accrued property tax refunds were reclassified in 2013 and are now included in noncurrent liabilities.
Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2009-FY2013.

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 completed its first bond issuance since the transfer of its general obligations to the City of Chicago of $250.0 million in October 2013 to fund its $545 million capital plan. The largest projects in the capital plan are a new Malcolm X College campus and a transportation, distribution and logistics center at Olive-Harvey College.

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[69] During FY2012, the Board amended the unused and accrued sick time policy so that effective July, 1, 2012, non-union employees hired before January 1, 2012 may receive payment for the lesser of accumulated sick days through July 1, 2012 or accumulated sick days through the time of retirement. Non-union employees hired after January 1, 2012 are not eligible for sick leave payout. Sick leave payout for union employees hired before June 7, 2012 is capped at the amount accrued as of July 1, 2014 and has been eliminated for those hired after June 7, 2012. City Colleges of Chicago FY2013 Comprehensive Annual Financial Report, p. 27-28.

[70] City Colleges' OPEB Plan includes health and life insurance for retired employees. City Colleges pays 90% of medical and life insurance premiums for retirees and dependents qualified for retirement under the State Universities Retirement System (SURS). City Colleges of Chicago FY2013 Comprehensive Annual Financial Report, p. 30.

[71] Bonded debt issued by City Colleges in FY2014 will increase the District's long-term liabilities significantly in the FY2014 Comprehensive Annual Financial Report.

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 5,607 active employees who are enrolled in the SURS retirement plan. All full-time faculty and staff contribute to SURS, except temporary workers who contribute to Social Security. There are also 348 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.[72]

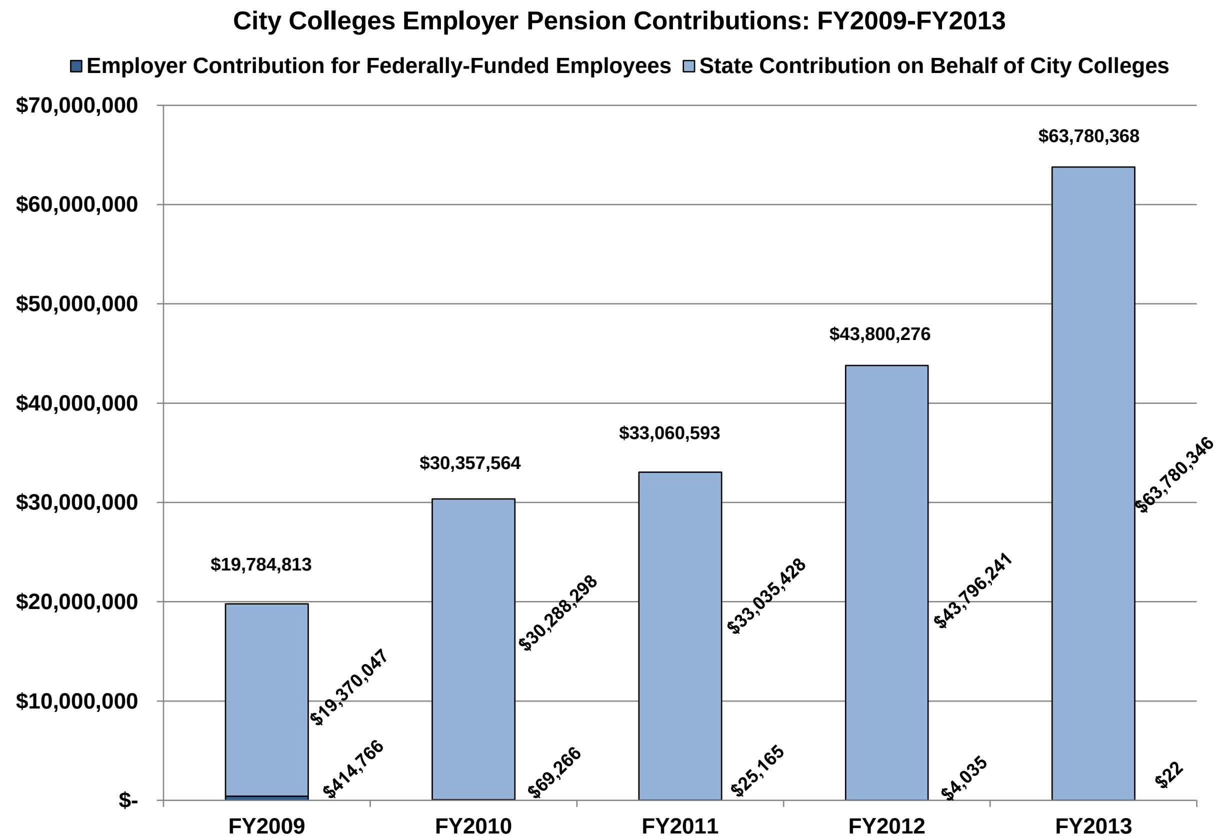
SURS members contribute 8.0% of their annual covered salary to the pension fund. In FY2014 the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at the actuarially determined rate of 34.5% of covered payroll. The current rate for FY2014 is 35.2% of annual covered payroll.[73] City Colleges makes the employer contribution for federally-funded grant positions out of those same grant funds.

The chart below illustrates employer pension contributions including the payments made by the State of Illinois on behalf of City Colleges and City Colleges' employer contribution for its federally-funded grant positions. State contributions to SURS on behalf of City Colleges for FY2013 were nearly $63.8 million, a 45.6% increase from FY2012. Contributions for positions funded through federal grants totaled only $22, down from $4,034 in FY2012 and $25,165 in FY2011. This is likely due to fewer federally-funded employees in the District.[74] The total employer contribution grew by 222.4% over the five-year period, from $19.8 million to $63.8 million.

[72] Information provided by City Colleges Finance Office, June 28, 2013

[73] 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 2016, 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 FY2013 Comprehensive Annual Financial Report, p. 29.

[74] Communication with City Colleges of Chicago budget staff, July 8, 2013.



Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2010, p. 39 and FY2012, p. 38; FY2013 data from communication with CCC staff.

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 the State's FY2015 until costs are fully shifted.[75] 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.[76] If the bill were to go into effect, the District estimates that its annual employer pension contribution will be approximately $1.0 million.[77]

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

[75] 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
[76] Hannah Douglas, "College officials support shifting pension costs to universities," *Pantagraph*, May 16, 2013.
[77] City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 6.

District and retirees and can be amended by City Colleges through its personnel manual and union contracts.[78]

Between FY2009 and FY2010 the number of retirees and beneficiaries receiving benefits fell from 703 to 614 before rising again to 654 in FY2011 and to 668 in FY2012. The number of beneficiaries then fell again in FY2013 to 660. The number of active vested members decreased slightly between FY2009 and FY2011 from 1,686 to 1,594 before rising to 1,726 in FY2012. The number of active vested members decreased slightly to 1,700 in FY2013.

City Colleges Other Post Employment Benefit Plan: Active Employees and Current Beneficiaries: FY2009-FY2013							
Members	**FY2009**	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**Five-Year $ Change**	**Five-Year % Change**
Active Employees (vested)	1,686	1,668	1,594	1,726	1,700	14	0.8%
Current Beneficiaries	703	614	654	668	660	(43)	-6.1%
Total	**2,389**	**2,282**	**2,248**	**2,394**	**2,360**	**(29)**	**-1.2%**

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2009, p. 40 and FY2013, p. 30.

City Colleges does not have an irrevocable trust fund for its OPEB plan; it is funded on a pay-as-you-go basis. However, it has been City Colleges' practice to annually invest an amount equal to the increase in the net OPEB obligation in an account designated for its OPEB obligation.[79] City Colleges had $27.9 million in investments designated for its OPEB obligation in FY2012, which grew to $32 million in FY2013.[80] Historically, City Colleges has considered using the designated funds to establish an irrevocable OPEB trust. The District plans to reexamine this issue once the following variables have resolved: the implementation of the Affordable Care Act, potential pension reform for the State of Illinois and the solvency of the College Insurance Program.[81]

The FY2013 pay-as-you-go employer contribution of $6.8 million is budgeted as part of the District's employee health insurance costs.[82] 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 FY2009 to FY2013.[83] The actuarial assumptions used in the calculation included a 4.5% discount rate and an annual healthcare cost trend rate of 8.0%, which is assumed to decline to a 5.0% rate by 2020.[84] City Colleges' net OPEB obligation has grown over the five-year period because its annual payments have equaled 55% to 65% of the annual actuarially calculated OPEB cost.

[78] City Colleges of Chicago FY2013 Comprehensive Annual Financial Report, p. 30.
[79] Information provided by City Colleges finance office, June 30, 2011.
[80] City Colleges of Chicago FY2013 Comprehensive Annual Financial Report, p, 31.
[81] Information provided by City Colleges finance office, June 28, 2013.
[82] Information provided by City Colleges finance office, August 3, 2010.
[83] 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.
[84] City Colleges of Chicago FY2013 Comprehensive Annual Financial Report, p. 31.

City Colleges Other Post Employment Benefits: Annual OPEB Cost and Net Obligation FY2009-FY2013					
	FY2009	FY2010	FY2011	FY2012	FY2013
Annual Actuarial OPEB Cost	$ 10,361,000	$ 11,294,194	$ 11,029,375	$ 11,593,396	$ 11,413,965
Employer Contributions	$ 6,175,497	$ 6,290,403	$ 6,625,444	$ 7,485,562	$ 6,774,237
Increase in Net OPEB Obligation	$ 4,185,503	$ 5,003,791	$ 4,403,931	$ 4,107,834	$ 4,639,728
% of Annual Actuarial OPEB Cost Contributed	59.6%	55.7%	60.1%	64.6%	59.4%
Net OPEB Obligation (End of Year)	**$ 17,304,515**	**$ 22,308,306**	**$ 26,712,237**	**$ 30,820,071**	**$ 35,459,799**

Source: City Colleges of Chicago FY2010 Comprehensive Annual Financial Report p. 41;FY2013 Comprehensive Annual Financial Report p. 31.

The next exhibit shows the Unfunded Actuarial Accrued Liability (UAAL) of the City Colleges' OPEB plan. The actuarial value of assets is not shown because, as mentioned previously, the District does not pre-fund its OPEB obligation through an irrevocable trust. The UAAL was $112.5 million in FY2013, down from $124.5 million in FY2011. In the past five years, the UAAL as a percent of covered payroll has fluctuated, initially falling from 120.4% in FY2009 to 113.8% in FY2010. The UAAL then rose to a high of 125.0% in FY2011 before falling again to 108.3% in FY2012. The UAAL as a percent of covered payroll dropped again in FY2013 to a five-year low of 104.6%.

Unfunded Actuarial Accrued Liability of the City Colleges OPEB Plan: FY2009-FY2013					
	FY2009	FY2010	FY2011	FY2012	FY2013
Unfunded Actuarial Accrued Liability (UAAL)	$ 121,654,154	$ 117,079,887	$ 124,498,937	$ 119,275,116	$ 112,458,352
Covered Payroll (active plan members)	$ 101,030,184	$ 102,896,841	$ 99,595,638	$ 110,092,137	$ 107,485,980
UAAL as a % of Covered Payroll	120.4%	113.8%	125.0%	108.3%	104.6%

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, FY2010, p. 42 and FY2013, p. 32.

APPENDIX

Fall 2014* Credit Hour Fees Breakdown for Selected Community College Districts	
College	**Fees included**
College of DuPage (Glen Ellyn)	Comprehensive fee- $32.85/hr
South Suburban College (South Holland)	Student development $7.75/hr, instructional technology $10/hr, registration $20/semester
Harper College (Palatine)	Activity fee $42/semester, registration $15/semester, technology fee $7/hr, construction and renovation $9/hr
Prairie State College (Chicago Heights)	General credit hour fee $21.50 (includes athletic fee, educational fund fee, extracurricular fee, student activity fee, technology fee, infrastructure fee)
Triton College (River Grove)	Student service fee $8/hr, auxilary fee $1/course, technolgy fee $84/semester, registration $14/semester
College of Lake County (Grayslake)	Comprehensive fee- $22/hr, supports student activities, student services, and infrastructure improvements, including child care, technology, program board activities, the student newspaper, and tutoring as well as helping defray the costs of parking lot improvements and campus safety expenditures.
Oakton Community College (Des Plaines)	Audit $10/hr, constuction $2/hr, student activities $3/hr, registration $15/semester
Elgin Community College (Elgin)	Enrollment fee $5/semester
City Colleges of Chicago	Activity fee $170/semester, registration fee $30/semester
Morton College (Cicero)	Registration $10/semester, comphehensive $8/hr, technology $8/hr, repair/renovation $6.5/hr

*Credit hour tuition and required fees for College of DuPage and South Suburban College reflect Fall 2013 rates. Oakton Community College and Elgin Community Collge tuition and fees are effective Summer 2014.