



The Civic Federation

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CITY COLLEGES OF CHICAGO FY2012 TENTATIVE BUDGET: *Analysis and Recommendations*

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges FY2012 tentative budget totaling \$651.5 million, an increase of \$69.6 million, or 12.0%, over the adopted FY2011 budget. Unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will increase by 1.7%, or \$5.3 million dollars over the previous year. The property tax levy will be frozen at the same level as the previous tax year.

City Colleges has begun a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. *Reinvention* includes improving the financial and operational health of the colleges system, measuring progress on *Reinvention* outcomes and using zero-based budgeting to better align resources with goals. The Civic Federation strongly supports the City Colleges' reorganization and its progress to date. It is a model that we encourage other governments to emulate.

The Civic Federation offers the following **key findings** on the City Colleges FY2012 budget:

- Appropriations for unrestricted operating funds for FY2012 will total \$318.1 million. This is a slight increase of 1.7%, or \$5.3 million, over FY2011 operating appropriations of \$312.8 million;
- Between FY2011 and FY2012, appropriations for employees' salaries across all funds will increase by \$18.4 million, or 9.3%, from \$198.6 million to \$216.9 million;
- The number of full-time equivalent (FTE) employees will increase by 438 positions, or 22.6%, in FY2012 from the previous year. This is an increase from 1,941 to 2,379 FTEs. The increase primarily consists of professional staff and faculty positions;
- FTE student enrollment decreased between FY2010 and FY2011 by 200 FTE students, or 0.4%, falling from 47,776 to 47,576 FTEs. However, enrollment is expected to increase in FY2012 by approximately 2.9%; and
- For the fall 2011 semester, tuition will increase from \$87 to \$89 per credit hour, a 2.3% increase.

The Civic Federation **supports** several issues related to the FY2012 City Colleges budget:

- Keeping the property tax levy flat at \$123.3 million;
- Exercising fiscal restraint by holding the District's unrestricted operating fund budget increase in FY2012 to just 1.7%;
- Maintaining a strong fund balance of 21.5% of operating expenses in FY2010 (audited). This is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000;
- Reporting cost-containment strategies and savings;
- Instituting reasonable phased-in tuition increases;
- Dedicating all personal property replacement tax revenue to the capital fund, rather than using it for operating purposes;
- Presenting three-year revenue and expenditure forecasts in the budget book; and
- Continuing to develop a more public budget process, including holding several public budget hearings and making improvements to annual budget documents.

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

- The City Colleges should develop a formal fund balance policy in the unrestricted funds and publish the policy in its budget;
- The City Colleges should develop a formal long-term financial plan in FY2012; and
- The State of Illinois should change the community college equalization formula.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the City Colleges FY2012 proposed budget totaling \$651.5 million, of which \$509.0 million is the operating budget and \$142.5 million is for capital improvements. The unrestricted operating budget, over which City Colleges has the most discretion and control, will increase by only 1.7% from \$312.9 million budgeted in FY2011 to \$318.2 million proposed for FY2012. The FY2012 budget freezes the District's property tax levy at the same level as the previous year, or \$123.3 million.

City Colleges has begun a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. *Reinvention* includes improving the financial and operational health of the colleges system, measuring progress on *Reinvention* outcomes and using zero-based budgeting to better align resources with goals. The Civic Federation strongly supports the City Colleges' reorganization and its progress to date. It is a model that we encourage other governments to emulate. For the first time, budgeted dollars are allocated not just to each college and office, but specifically to each of the District's eleven articulated goals. As zero-based budgeting is further developed in future years, it will allow the District to target spending at its strategic goals and to hold colleges accountable using a performance monitoring scorecard.¹

In addition to its comprehensive strategic planning process, the City Colleges of Chicago has introduced and maintained a number of good financial management practices, highlighted below.

ISSUES THE CIVIC FEDERATION SUPPORTS

The following section details key issues that the Civic Federation supports in the City Colleges FY2012 tentative annual operating budget

No Property Tax Levy Increase

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

Commitment to Fiscal Discipline in Unrestricted Operating Budget

The City Colleges FY2012 budget of \$651.5 million is projected to increase by \$69.6 million or 12.0% over the previous budget. However, much of this increase comes in the "restricted" funds portion of the budget which is composed primarily of federally funded student assistance grants and related funding. The increase is driven by increases in student enrollment. In contrast, the budget for the District's unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will increase by just 1.7% or \$5.3 million from FY2011. The Civic Federation commends the City Colleges for exercising fiscal restraint and prudently containing expenditures in its operating funds.

¹ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 19.

Strong Unreserved Fund Balance

For the last five years, City Colleges has maintained a strong unreserved fund balance of approximately 20% of operating expenses. The balance has exceeded the minimum two months of operating expenses recommended by the Government Finance Officers Association. The FY2010 audited unrestricted fund balance was equal to 21.5% of operating expenses, a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000. A healthy fund balance for contingencies, such as unexpected revenue shortfalls, is particularly important at a time when the State of Illinois' finances are precarious and its scheduled payments to the District are delayed. The Civic Federation commends the District for its discipline in building and maintaining a strong fund balance.

Reporting Cost Containment Strategies and Savings

The budget lists numerous cost containment strategies, including savings from cooperative purchasing agreements with other governments, energy savings performance contracts and collection of student receivables.² 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 how tax dollars are being spent efficiently.

Reasonable Phased Tuition Increase

Over the last ten years City Colleges has instituted phased tuition increases. For the Fall 2011 semester, tuition will increase from \$87 to \$89 per credit hour. City Colleges' combined tuition and fee rate remains competitive with other northeastern Illinois community colleges. Tuition increases, like any revenue increase, are reasonable if linked to management reforms, cost containment strategies, quality improvements and the reduction of long-term liabilities. Increasing user fees to offset rising costs is preferable to general tax revenue increases. For these reasons, the Civic Federation supports the District's scheduled tuition increase.

Using Personal Property Replacement Tax Revenues for Capital, not Operating Purposes

Beginning in FY2011 City Colleges began to dedicate all of its Personal Property Replacement Tax (PPRT) revenues to capital improvement projects rather than to operating funds. PPRT is a state business income tax that replaces revenue local governments formerly received from a, now defunct, tax on corporate personal property. PPRT revenue is volatile compared to the District's other major revenue sources, so it is prudent to shift these funds from the operating budget to the capital budget, and the Civic Federation encourages other local governments to adopt this practice. Operating budgets should be supported by predictable revenue sources in order to maintain stability. Pay-as-you-go capital programs can withstand greater volatility because projects can be postponed if revenues come in under budget.

² City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, pp. 15-16.

Three-Year Revenue and Expenditure Forecast

The District presents a three-year forecast of revenues and expenditures in its budget document with an explanation of the assumptions used. This is a prudent practice that allows the Board of Trustees and public to see the financial direction of the District and to make wise choices that do not jeopardize the District's long-term fiscal health. Although the forecast shows a growing gap between expenditures and revenues, the budget document states that the District is establishing a formal process to address projected gaps.³

Increased Transparency and Information in the Budget Process

City Colleges continues to enhance the information contained in its annual budget, including data on the property tax revenues levied by the City of Chicago on behalf of the District, description of Tax Increment Financing funding received by the District, a detailed budget calendar and summary tables of appropriations by object for operating funds.

In addition to providing the public with more information in the budget book itself, for the past four years, City Colleges has held public budget hearings at its locations across Chicago, presenting the upcoming year's budget and affording members of the public time to ask questions and engage the District's leaders. City Colleges posts its current and past budgets online. This year, the District also increased its outreach by sending electronic notice of the hearings to faculty, staff and students. The City Colleges provided an adequate amount of time this year for the public to review its budget proposal between initial release on June 17, 2011 and the first public hearing on July 6, with the final hearing and Board vote on July 17.

The Federation applauds City Colleges and its staff for responding to the Civic Federation's calls for scheduling public hearings that allow interested constituents to comment on the annual proposed budget before the Board takes a vote. We encourage members of the public to review the materials put forth by the District and attend these sessions; transparency and accountability enhance the success of any unit of local government.

CIVIC FEDERATION RECOMMENDATIONS

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

Adopt a Formal Fund Balance Policy

Adopted on February 5, 2009, the City Colleges Board of Trustees Resolution Number 29253 recommended that an annual fund balance in the unrestricted funds should be set as a minimum of 3% of the unrestricted fund actual expenses. This policy is not noted in the budget book. The Board should formally adopt this language in Section 5.5 – Budget of the Board of Trustees' Rules at its August meeting to clearly memorialize this policy. The policy should also be published in the budget book together with other financial policies.

³ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 12.

Develop a Formal Long Term Financial Plan in FY2012

The FY2012 Budget Book states that City Colleges will establish a formal planning and review process to address projected budget deficits in future fiscal years.⁴ This is a good step in the right direction. The Civic Federation urges the District to complete work on a formal long-term financial plan in the FY2012 fiscal year and to publish a plan prior to the release of the FY2013 budget.

The Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NASCLB) both consider long-term financial planning to be a pillar of proper financial management. Credit rating agencies have also recognized the importance of long-term financial planning. For example, in its ratings criteria, Standard and Poor's Ratings Services states that "the rigor of a government's financial management practices is an important factor in [...] analysis of that government's creditworthiness" and one of the practices examined is long-term financial planning.⁵ A recent GFOA white paper identified long-term financial planning as the central tool for local governments to become financially resilient, which is characterized by an ability to sustain external shocks, such as an economic downturn.⁶ The GFOA found that governments that utilized long-term financial planning did not have to suddenly and reflexively resort to the severe "retrenchment tactics" that many other governments have.

The NASCLB 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.⁷ The GFOA and the NASCLB have developed best practices in long-term financial planning. Recommended elements of a long-term financial plan include:⁸

1. An analysis of historic financial trends.
2. An assessment of problems and opportunities facing the jurisdiction including an analysis of the financial environment.
3. A description of financial policies, service level preferences and financial goals.
4. A long-term (5-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.

⁴ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 12.

⁵ Standard and Poor's, "U.S. Public Finance: Financial Management Assessment" June 27, 2006.

⁶ Shayne Kavanagh, "Building a Financially Resilient Government through Long-Term Financial Planning," Government Finance Officers Association, www.gfoa.org/downloads/financiallyresilientgovernment_whitepaper.pdf (last visited on January 10, 2011).

⁷ National Advisory Council on State and Local Budgeting, *Recommended Budget Practices*, (Chicago: GFOA, 1998).

⁸ 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).

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.”⁹

The State of Illinois Should Change the Community College Equalization Formula

The City Colleges will likely receive \$15.0 million in state funds in FY2012 to compensate the District for the loss of significant community college equalization funds. The Civic Federation supports the City Colleges receiving these funds, but urges the State to rectify the situation that requires the District to seek such funds on an annual basis rather than receiving a reasonable annual allocation. We continue to support the City Colleges’ ongoing efforts to effect a recalculation of the State community college equalization formula. We urge the Governor and the Illinois Community College Board to recognize the contributions of Illinois’s largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to City Colleges.

ACKNOWLEDGEMENTS

We would like to express our sincere thanks and appreciation to Vice Chancellor of Finance/Chief Financial Officer Ken Gotsch and Vice Chancellor of Strategy and Institutional Intelligence Alvin Bisayara for providing us with a briefing on the budget and answering our questions.

APPROPRIATION TRENDS

The following section of the analysis presents information and trends regarding City Colleges appropriations.

City Colleges has eleven funds, which include seven operating funds, as well as debt service, capital and working cash funds. The operating funds are comprised of the following restricted and unrestricted funds:

- **Education Fund**, which accounts for revenues and expenditures of the academic and service programs;
- **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;
- **Audit Fund**, which levies and collects property taxes for the payment of the annual audit of the District’s financial statements;

⁹ Government Finance Officers Association, “An Introduction to Financial Planning,” (<http://www.gfoa.org/downloads/LTFPbrochure.pdf>) (last visited on January 10, 2011).

- **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.

Total Appropriations by Fund for FY2012

The FY2012 City Colleges total proposed appropriations will be \$651.5 million, a 12.0% or \$69.6 million increase over FY2011 adopted appropriations of \$581.9 million. Capital appropriations will be 21.9% of total appropriations, totaling \$142.5 million.

Operating funds pay for employees' salaries and benefits, utility costs and all other day-to-day expenditures. In the City Colleges' budget, operating funds include all funds except capital and debt service. The capital fund provides pay-as-you-go funding for all major building projects, as well as the improvement of existing structures. Due to the retirement of outstanding obligations paid out of the debt service fund, no monies will be appropriated for those funds in FY2012.

As the following exhibit shows, unrestricted appropriations will increase by \$5.3 million, or only 1.7%, over FY2011 adopted appropriations. Restricted operating fund appropriations will increase by \$49.3 million, or 34.8%. This increase reflects the District's estimate of an increase in the number of students and an increase of \$48.4 million in aid over the past two years for federally funded PELL and Supplemental Educational Opportunity (SEOG) grants, work study funds and Illinois Student Assistance Commission funds.¹⁰ Capital fund appropriations will increase by 11.8%, or \$15.0 million.

| City Colleges Appropriations for All Funds: FY2011-FY2012 | | | | |
|------------------------------------------------------------------|--------------------------------------|----------------------------------------|------------------|-----------------|
| (in \$ millions) | | | | |
| Fund Type | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Operating Funds | | | | |
| Unrestricted | \$ 312.9 | \$ 318.2 | \$ 5.3 | 1.7% |
| Restricted | \$ 141.5 | \$ 190.8 | \$ 49.3 | 34.8% |
| Subtotal Operating | \$ 454.4 | \$ 509.0 | \$ 54.6 | 12.0% |
| Capital Fund | \$ 127.5 | \$ 142.5 | \$ 15.0 | 11.8% |
| Total | \$ 581.9 | \$ 651.5 | \$ 69.6 | 12.0% |

Source: City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 8.

Appropriations for All Funds by Object – Two- and Five-Year Trends

The next exhibit shows changes in City Colleges' appropriations by object (line item) for the operating and capital funds between the FY2011 and FY2012 budgets.

¹⁰ City Colleges of Chicago FY2011 Annual Operating Budget, pp. 8-9.

Salaries, which averaged roughly 33.7% of total appropriations in both years reviewed, will rise from \$198.5 million to \$216.0 million. This will be a rise of 9.3%, or nearly \$18.4 million. A portion of the increase is due to the addition of new administrative and faculty positions.¹¹ Benefits are projected to increase by \$7.8 million, or 12.4%, over FY2011 budgeted appropriations. Much of that increase reflects additional costs associated with the hiring of new personnel.¹² Other appropriation changes include:

- A 78.6%, or \$1.2 million, increase in travel and conferences to support increased training and education of staff. This increase is due to: (1) an increase of \$343,000 for faculty professional development, Higher Learning Commission assessment meetings and conferences, (2) an increase of \$390,000 due to student government conferences and leadership programs, athletic programs and additional staff training for student support staff, and (3) an increase of \$600,000 due to sponsorships, registration costs, accreditation cost for Daley College, conference speakers, professional development workshops, information tech professional development and training/ trips for the strategic task forces and additional expense for the increased IRS mileage rate from \$0.50 to \$0.55.¹³
- A 57.8% increase in waivers and scholarships as an increased amount of federal and state funds are made available for these purposes.
- A 31.8% rise in appropriations for materials and supplies primarily due to the cost of functional tools needed to implement the District's *Reinvention* initiatives.
- A 25.1% decrease in contractual services from \$48.6 million in FY2011 to \$36.4 million in FY2012. The decrease occurs because the Operation and Maintenance fund contractual services for maintenance and renewal estimates were reduced by \$10.5 million from FY2011 to FY2012 and then transferred to the District's Capital Fund in FY 2012.¹⁴
- An increase in capital outlay expenses of 11.8%, or \$15.0 million.
- Fixed charges will decrease by 25.9%, falling from \$5.5 million to \$4.1 million. Fixed charges include appropriations for rentals of facilities and equipment, debt payments and insurance. Fixed charges declined in the restricted fund from \$2.5 to \$0.2 million primarily due to a FY 2011 grant applied for but not received. The other cause of the change is the increase of \$0.8 million primarily due the \$0.6 million addition of stop loss insurance coverage. The net effect of these changes is the \$2.3 million variance.
- A 5.7% decrease in utility expenditures as they fall from \$12.7 million to \$12.0 million.¹⁵
- A bad debt expense increase of 43.9%. Bad debt expense is defined as the current amount of receivables, such as student tuition, that are not likely to be collected in the next fiscal year. The increase will occur because the calculation of the FY2011 year-end projection

¹¹ City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 61.

¹² City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 62.

¹³ Information provided by City Colleges Finance Office, July 7, 2011.

¹⁴ Information provided by City Colleges Finance Office, July 7, 2011.

¹⁵ The budget for utility expenditures is being revised to equal the FY2011 original budget levels as City Colleges benefits from the long term contracts for gas. Future increases for electric rates are offset by increased efficiencies. Information provided by the City Colleges, July 7, 2011.

of \$2.7 million for bad debt expense was in error. It should have been closer to \$3.5 million, which is in line with the FY2011 budgeted amount of \$3.2 million.¹⁶

- “Other” expenditures will decrease by 64.3%. These include \$1.5 million in liability fund for potential tort settlement, \$2.5 million in Base Operating Grant for reinvention initiatives and \$185,000 in child care center expenditures at Daley College.¹⁷

| City Colleges Appropriations by Object of Expenditure for All Funds: FY2011 & FY2012 | | | | |
|-------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|----------------------|-----------------|
| | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Salaries | \$ 198,564,102 | \$ 216,959,265 | \$ 18,395,163 | 9.3% |
| Employee Benefits | \$ 63,149,730 | \$ 70,954,706 | \$ 7,804,976 | 12.4% |
| Contractual Services | \$ 48,651,103 | \$ 36,421,679 | \$ (12,229,424) | -25.1% |
| Materials/Supplies | \$ 18,496,548 | \$ 24,376,879 | \$ 5,880,331 | 31.8% |
| Travel/Conferences | \$ 1,612,880 | \$ 2,880,994 | \$ 1,268,114 | 78.6% |
| Capital Outlay | \$ 127,916,398 | \$ 142,987,069 | \$ 15,070,671 | 11.8% |
| Fixed Charges | \$ 5,587,575 | \$ 4,139,510 | \$ (1,448,065) | -25.9% |
| Utilities | \$ 12,775,148 | \$ 12,043,742 | \$ (731,406) | -5.7% |
| Bad Debt | \$ 2,354,299 | \$ 3,388,685 | \$ 1,034,386 | 43.9% |
| Waivers and Scholarships | \$ 82,419,023 | \$ 130,046,587 | \$ 47,627,564 | 57.8% |
| Other Expenditures | \$ 20,376,155 | \$ 7,283,898 | \$ (13,092,257) | -64.3% |
| Total | \$ 581,902,961 | \$ 651,483,014 | \$ 69,580,053 | 12.0% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 79, and FY2012 Tentative Annual Operating Budget, p. 69.

The following exhibit shows changes in the City Colleges budget by program between FY2011 and FY2012. The program categories are listed below.¹⁸

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

¹⁶ Information provided by City Colleges Finance Office, July 7, 2011.

¹⁷ Information provided by City Colleges Finance Office, July 7, 2011.

¹⁸ Descriptions of the program categories may be found in City Colleges of Chicago FY2012 Tentative Annual Operating Budget, pp. 370-378.

The largest program category in FY2012 will be operations and maintenance at \$197.5 million, followed by instruction at \$139.8 million. Together these programs consumed 56.7% of all spending in FY2011 and will total 51.8% in FY2012. Operations and maintenance appropriations will rise by 6.3%, increasing from \$185.9 million to \$197.6 million. Instruction appropriations will drop slightly, falling by 3.0% from \$144.2 million to \$139.8 million. The largest dollar increase will be the \$49.1 million jump in funding for scholarships and fellowships.

| City Colleges Appropriation by Program for All Funds: FY2011 & FY2012 | | | | |
|----------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|----------------------|-----------------|
| | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Instruction | \$ 144,181,397 | \$ 139,817,872 | \$ (4,363,525) | -3.0% |
| Academic Support | \$ 41,490,847 | \$ 40,099,099 | \$ (1,391,748) | -3.4% |
| Student Services | \$ 32,147,076 | \$ 41,778,931 | \$ 9,631,855 | 30.0% |
| Public Services | \$ 15,579,774 | \$ 13,824,031 | \$ (1,755,743) | -11.3% |
| Organized Research | \$ 410,219 | \$ 810,944 | \$ 400,725 | 97.7% |
| Auxiliary/Enterprise | \$ 6,425,247 | \$ 3,987,954 | \$ (2,437,293) | -37.9% |
| Operations & Maintenance | \$ 185,895,051 | \$ 197,581,710 | \$ 11,686,659 | 6.3% |
| Institutional Support | \$ 73,354,326 | \$ 82,045,887 | \$ 8,691,561 | 11.8% |
| Scholarships/Fellowships | \$ 82,419,023 | \$ 131,536,587 | \$ 49,117,564 | 59.6% |
| Total | \$ 581,902,960 | \$ 651,483,015 | \$ 69,580,055 | 12.0% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 79 and FY2012 Tentative Annual Operating Budget, p. 69.

Appropriations are expected to rise from \$473.6 million to \$651.4 million during the five-year period between FY2008 and FY2012, which is an increase of 37.6%, or \$177.8 million. Appropriations for instruction will rise by 22.1%, increasing from \$114.5 million to \$139.8 million. Institutional support, which funds central, executive-level activities, will decrease by \$14.5 million, or 15.0%. Operations and maintenance appropriations will increase by \$82.9 million or 72.3%. Auxiliary/enterprise program appropriations will increase by 82.3%, or \$1.8 million.

| City Colleges Appropriation by Program for All Funds: FY2008 & FY2012 | | | | |
|----------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|-----------------------|-----------------|
| | FY2008 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Instruction | \$ 114,548,050 | \$ 139,817,872 | \$ 25,269,822 | 22.1% |
| Academic Support | \$ 34,518,178 | \$ 40,099,099 | \$ 5,580,921 | 16.2% |
| Student Services | \$ 33,032,487 | \$ 41,778,931 | \$ 8,746,444 | 26.5% |
| Public Services | \$ 13,009,171 | \$ 13,824,031 | \$ 814,860 | 6.3% |
| Organized Research | \$ 541,397 | \$ 810,944 | \$ 269,547 | 100.0% |
| Auxiliary/Enterprise | \$ 2,188,024 | \$ 3,987,954 | \$ 1,799,930 | 82.3% |
| Operation & Maintenance | \$ 114,690,970 | \$ 197,581,710 | \$ 82,890,740 | 72.3% |
| Institutional Support | \$ 96,540,975 | \$ 82,045,887 | \$ (14,495,088) | -15.0% |
| Scholarships/Fellowships | \$ 64,561,101 | \$ 131,536,587 | \$ 66,975,486 | 103.7% |
| Total | \$ 473,630,353 | \$ 651,483,015 | \$ 177,852,662 | 37.6% |

Source: City Colleges of Chicago FY2008 Annual Operating Budget, p. 67, and FY2012 Tentative Annual Operating Budget, p. 79.

Appropriations for Unrestricted Operating Funds – Two- and Five-Year Trends

Unrestricted operating funds include the Education Fund, the Operations and Maintenance Fund and the Auxiliary/Enterprise Fund. City Colleges exercises maximum discretion over these resources, unlike restricted funds which must be used for specific purposes as established by statute or terms of a grant or loan. In FY2012 unrestricted fund appropriations are projected to increase by 1.7% to \$318.1 million from a final FY2011 appropriation of nearly \$312.8 million. A review of unrestricted fund appropriations by object shows that:

- Salaries will increase by 12.8%, or \$22.4 million, as the number of administrative and faculty positions are increased.
- Employee benefit costs associated with the unrestricted funds will decrease by 1.7% or \$0.5 million. (Note: A majority of benefit costs, or \$36.9 million in FY2012, are associated with restricted purpose funds – these expenses will rise from \$28.5 million in the previous year. This is a 29.4% increase.)
- Fixed charge appropriations will increase by 25%, or \$0.7 million. Fixed charges include appropriations for rentals of facilities and equipment, debt payments and insurance charges.
- Contractual service appropriations will decrease by 24.9%, or \$10.7 million.
- Materials and supplies appropriations will rise by 41.8%, or \$5.8 million.
- Appropriations for waivers and scholarships will fall by 17.9%, dropping from \$6.7 million to \$5.5 million.

| City Colleges Appropriations by Object of Expenditure Unrestricted Operating Funds: FY2011 & FY2012 | | | | |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|---------------------|-----------------|
| Object | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Salaries | \$ 174,955,910 | \$ 197,386,766 | \$ 22,430,856 | 12.8% |
| Employee Benefits | \$ 34,631,287 | \$ 34,045,336 | \$ (585,951) | -1.7% |
| Contractual Services | \$ 43,097,065 | \$ 32,355,845 | \$ (10,741,220) | -24.9% |
| Materials/Supplies | \$ 14,055,825 | \$ 19,925,334 | \$ 5,869,509 | 41.8% |
| Travel/Conferences | \$ 1,072,821 | \$ 2,369,780 | \$ 1,296,959 | 120.9% |
| Capital Outlay | \$ - | \$ 292,900 | \$ 292,900 | |
| Fixed Charges | \$ 3,114,447 | \$ 3,892,315 | \$ 777,868 | 25.0% |
| Utilities | \$ 12,771,390 | \$ 12,040,404 | \$ (730,986) | 0.0% |
| Bad Debt | \$ 2,354,299 | \$ 3,388,685 | \$ 1,034,386 | 43.9% |
| Waivers and Scholarships | \$ 6,770,257 | \$ 5,557,860 | \$ (1,212,397) | -17.9% |
| Other Expenditures | \$ 20,026,941 | \$ 6,911,566 | \$ (13,115,375) | -65.5% |
| Total | \$ 312,850,242 | \$ 318,166,791 | \$ 5,316,549 | 1.7% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 80 and City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 72.

The next exhibit shows unrestricted operating funds appropriations by program in FY2011 and FY2012. Appropriations for instruction will decline by 4.0%, or \$4.9 million. Academic support appropriations will increase slightly by 2.4% to \$25.7 million, while institutional support is expected to experience a \$6.6 million, or a 9.7% increase. The largest dollar increase will be for student services, with a \$9.3 million increase from the previous fiscal year.

| City Colleges Appropriations by Program Unrestricted Operating Funds: FY2011 & FY2012 | | | | |
|------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|---------------------|-----------------|
| Program | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Instruction | \$ 121,957,554 | \$ 117,047,852 | \$ (4,909,702) | -4.0% |
| Academic Support | \$ 25,142,977 | \$ 25,735,916 | \$ 592,939 | 2.4% |
| Student Services | \$ 24,282,290 | \$ 33,594,078 | \$ 9,311,788 | 38.3% |
| Public Service | \$ 5,738,741 | \$ 5,248,176 | \$ (490,565) | -8.5% |
| Organized Research | \$ 1,000 | \$ - | \$ (1,000) | -100.0% |
| Auxiliary/Enterprise | \$ 5,958,671 | \$ 3,845,972 | \$ (2,112,699) | -35.5% |
| Operations & Maintenance | \$ 54,581,686 | \$ 50,591,367 | \$ (3,990,319) | -7.3% |
| Institutional Support | \$ 68,417,066 | \$ 75,055,569 | \$ 6,638,503 | 9.7% |
| Scholarships, Grants, Waivers | \$ 6,770,257 | \$ 7,047,860 | \$ 277,603 | 4.1% |
| Total | \$ 312,850,242 | \$ 318,166,790 | \$ 5,316,548 | 1.7% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 80 and City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 70.

From FY2008 to FY2012, unrestricted appropriations will increase by 23.3%, from \$258.0 million to nearly \$318.2 million. Expenditures in all categories will rise. Some of the highlights follow:

- Student services will experience a 49.5% or \$11.1 million rise.
- Academic support will rise by 20.6%, increasing from \$21.3 million to \$25.7 million.
- Instruction will be increased by 19.0%, or nearly \$18.7 million.
- Auxiliary/enterprise spending will increase by 94.9%, rising from \$1.9 million to \$3.8 million.
- Operations and maintenance expenditures are expected to increase by 32.8%, or \$12.5 million.
- Institutional services spending will increase by \$11.0 million, or 17.3%, over FY2008 appropriations.

| City Colleges Appropriations by Program Unrestricted Operating Funds: FY2008 & FY2012 | | | | |
|------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------|----------------------|-----------------|
| Program | FY2008 Actual | FY2012 Tentative Budget | \$ Change | % Change |
| Instruction | \$ 98,365,835 | \$ 117,047,852 | \$ 18,682,017 | 19.0% |
| Academic Support | \$ 21,339,390 | \$ 25,735,916 | \$ 4,396,526 | 20.6% |
| Student Services | \$ 22,465,956 | \$ 33,594,078 | \$ 11,128,122 | 49.5% |
| Public Service | \$ 5,059,447 | \$ 5,248,176 | \$ 188,729 | 3.7% |
| Auxiliary/Enterprise | \$ 1,972,869 | \$ 3,845,972 | \$ 1,873,103 | 94.9% |
| Operations & Maintenance | \$ 38,089,545 | \$ 50,591,367 | \$ 12,501,822 | 32.8% |
| Institutional Support | \$ 63,998,919 | \$ 75,055,569 | \$ 11,056,650 | 17.3% |
| Scholarships, Grants, Waivers | \$ 6,745,616 | \$ 7,047,860 | \$ 302,244 | 4.5% |
| Total | \$ 258,037,577 | \$ 318,166,790 | \$ 60,129,213 | 23.3% |

Source: City Colleges of Chicago FY2010 Annual Operating Budget, p. 85, and FY2012 Tentative Annual Operating Budget, p. 70.

RESOURCES

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

Total All Funds Resources for FY2012

City Colleges expects to have a total of \$651.8 million in net resources available for all funds in FY2012. All funds include operating funds, capital funds and federal and state student aid funds that are passed on to students.

The single largest revenue source will be federal government grants, which make up 24.1% of all resources, or \$157.0 million. Of that amount, \$108.9 million will be federal grants for student aid. A portion of the remaining federal grant resources will be used to fund positions and pension contributions related to those positions.¹⁹ Appropriated fund balance provides the next largest source, at \$126.9 million or 19.5% of all funds, of which \$123.5 million is in re-appropriated

¹⁹ Information provided by City Colleges Finance Office, July 7, 2011.

capital funds from the previous year. The \$9.9 million of fund balance to be reserved (not appropriated) is unrestricted in the Education Fund, per the District's policy of maintaining an Education Fund reserve equal to 3% of unrestricted expenditures.²⁰ Anticipated tuition and fee revenue slightly exceeds net property tax revenue for FY2012, at \$119.7 million and \$118.3 million, respectively. Revenue received from the State of Illinois will total \$92.4 million, or 14.2% of total resources. It is important to note that the State also makes contributions to the State Universities Retirement System behalf of City Colleges for most of the District's employees, and this operating support is not reflected in the budget.²¹ In FY2010 these State pension contributions were \$30.3 million.²²

| City Colleges Net Resources for All Funds: FY2012 | | |
|----------------------------------------------------------|----------------------------------------|-------------------|
| | FY2012 Tentative Budget | % of Total |
| Sources of Revenues | | |
| Estimated July 1 2011 Fund Balance | \$ 136,903,950 | - |
| Fund Balance to be Reserved | \$ (9,954,444) | - |
| Fund Balance to be Appropriated | \$ 126,949,506 | 19.5% |
| | | |
| Net Property Tax Revenues | \$ 118,323,055 | 18.2% |
| Personal Property Replacement Tax | \$ 14,500,000 | 2.2% |
| Tuition and Fees | \$ 119,668,109 | 18.4% |
| Auxiliary/Enterprise | \$ 9,649,174 | 1.5% |
| Investment Revenue | \$ 1,000,000 | 0.2% |
| Local Government Grants | \$ 9,592,377 | 1.5% |
| Total Local Sources | \$ 272,732,715 | 41.8% |
| | | |
| State Government | \$ 92,362,614 | 14.2% |
| Federal Government | \$ 156,963,659 | 24.1% |
| Subtotal State & Federal Sources | \$ 249,326,273 | 38.2% |
| | | |
| Other Sources | \$ 2,828,579 | 0.4% |
| Total | \$ 651,837,073 | 100.0% |

Source: City Colleges of Chicago FY2012 Tentative Budget, p. 69.

²⁰ City Colleges Board of Trustees Resolution Number 29253 of February 5, 2009 recommends that an annual fund balance in the unrestricted funds be set as a minimum of 3% of unrestricted fund actual expenses. Information provided by City Colleges Finance Office, July 7, 2011. See also City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 9.

²¹ 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.

²² City Colleges of Chicago, FY2010 Comprehensive Annual Financial Report, p. 39.

Resources for All Funds: Two- and Five-Year Trends

City Colleges' total FY2012 resources of \$651.8 million will be \$69.9 million or 12.0% more than FY2011 adopted budget resources of \$581.9 million. Local sources will decrease slightly by \$2.4 million or 0.9% primarily due to a decline in local government capital grants (i.e., Tax Increment Financing support²³). Tuition and fees will increase by \$6.3 million, or 5.6% and net property tax revenues will increase by \$1.0 million or 0.9% (see page 20 for details).

State resources will increase by \$4.4 million, or 5.0%. Federal government resources will increase by \$46.9 million or 42.6% due to increases in student federal financial aid related to growing enrollment.²⁴ Auxiliary/Enterprise resources will fall by 13.5% from \$11.2 million in FY2011 to \$9.6 million in FY2012 due to scaling back new initiatives and focusing on existing enterprises.²⁵

| City Colleges Net Resources for All Funds: FY2011 & FY2012 | | | | |
|------------------------------------------------------------|-----------------------------|-------------------------------|-----------------------|--------------|
| Sources of Revenues | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Estimated Start of FY Fund Balance | \$ 115,830,382 | \$ 136,903,950 | \$ 21,073,568 | 18.2% |
| Fund Balance to be Reserved | \$ (10,025,600) | \$ (9,954,444) | \$ 71,156 | -0.7% |
| Fund Balance to be Appropriated | \$ 105,804,782 | \$ 126,949,506 | \$ 21,144,724 | 20.0% |
| Net Property Tax Revenues | \$ 117,237,991 | \$ 118,323,055 | \$ 1,085,064 | 0.9% |
| Personal Property Replacement Tax | \$ 14,500,000 | \$ 14,500,000 | \$ - | 0.0% |
| Tuition and Fees | \$ 113,339,718 | \$ 119,668,109 | \$ 6,328,391 | 5.6% |
| Auxiliary/Enterprise | \$ 11,156,570 | \$ 9,649,174 | \$ (1,507,396) | -13.5% |
| Investment Revenue | \$ 2,000,000 | \$ 1,000,000 | \$ (1,000,000) | -50.0% |
| Local Government Grants | \$ 16,883,652 | \$ 9,592,377 | \$ (7,291,275) | -43.2% |
| Total Local Sources | \$ 275,117,931 | \$ 272,732,715 | \$ (2,385,216) | -0.9% |
| State Government | \$ 87,949,516 | \$ 92,362,614 | \$ 4,413,098 | 5.0% |
| Federal Government | \$ 110,053,602 | \$ 156,963,659 | \$ 46,910,057 | 42.6% |
| Subtotal State & Federal Sources | \$ 198,003,118 | \$ 249,326,273 | \$ 51,323,155 | 25.9% |
| Other Sources | \$ 2,977,130 | \$ 2,828,579 | \$ (148,551) | -5.0% |
| Total | \$ 581,902,961 | \$ 651,837,073 | \$ 69,934,112 | 12.0% |

Source: City Colleges of Chicago Final FY2011 Budget, p. 79 and FY2012 Tentative Budget, p. 69.

Resource totals for all funds will increase by 36.9% between the FY2008 budgeted amount and the FY2012 tentative budget. The largest increase is in federal government resources, which will increase by \$86.1 million, or 121.4%, over the five-year period. The federal funds represent primarily financial aid that is passed through to students, not revenues available for day-to-day District operations. The fund balanced to be reserved is much smaller in FY2012 than in FY2008

²³ Local government capital grants funding was reduced because of revised Wilson Yard TIF cash flow projections; these funds will be distributed over the next ten years. Information provided by City Colleges Finance Office, July 7, 2011. Data are from the City Colleges of Chicago, FY2011 Adopted Annual Operating Budget, p. 95 and FY2012 Tentative Annual Operating Budget, p. 91.

²⁴ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. iii.

²⁵ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 45.

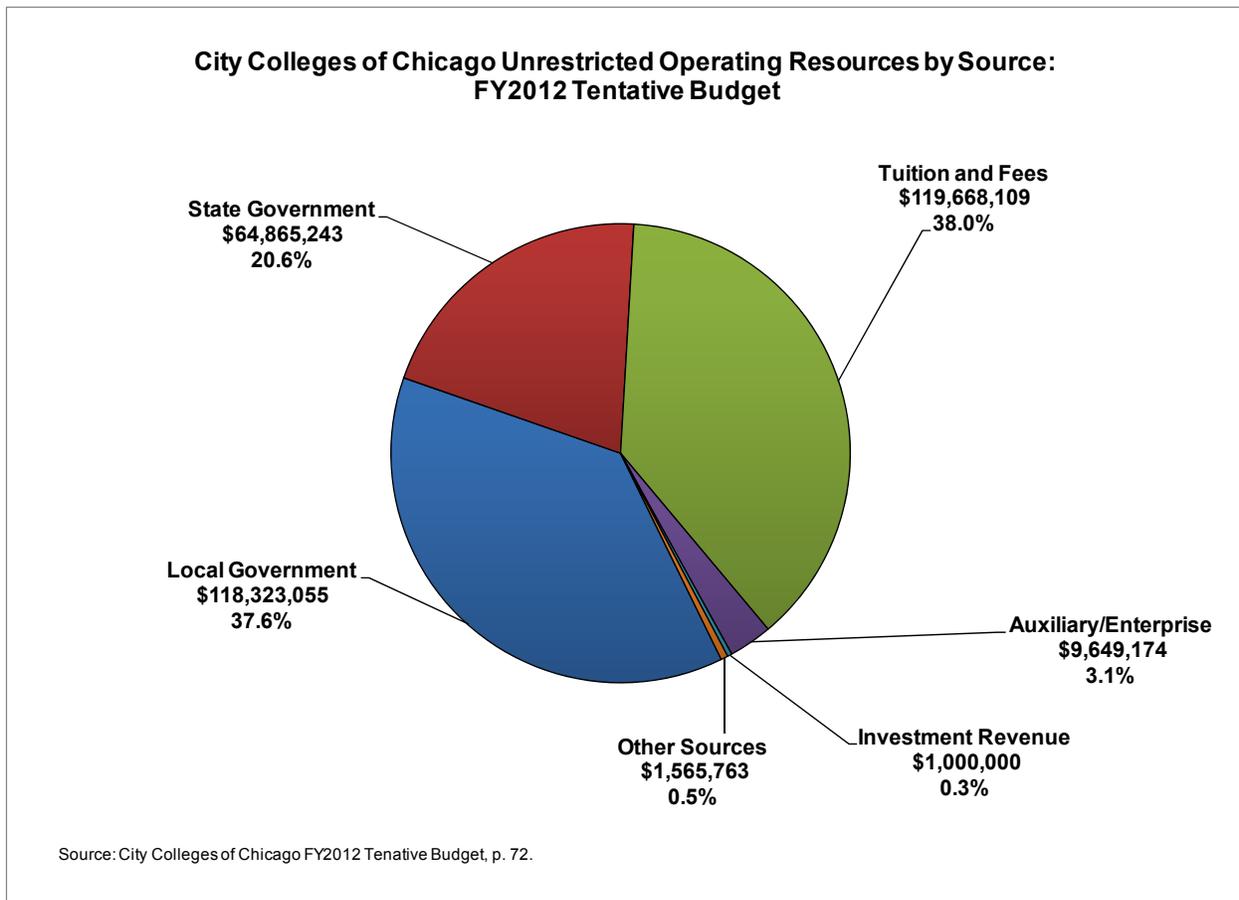
because the FY2008 budget reserved \$49.9 million in Capital Fund fund balance while the FY2012 budget appropriates the entire Capital Fund fund balance.

| City Colleges Net Resources for All Funds: FY2008 & FY2012 | | | | |
|-----------------------------------------------------------------------|--------------------------------------|----------------------------------------|-----------------------|-----------------|
| Sources of Revenues | FY2008 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Estimated Start of FY Fund Balance | \$ 157,867,000 | \$ 136,903,950 | \$ (20,963,050) | -13.3% |
| Fund Balance to be Reserved | \$ (67,151,766) | \$ (9,954,444) | \$ 57,197,322 | -85.2% |
| Fund Balance to be Appropriated | \$ 90,715,234 | \$ 126,949,506 | \$ 36,234,272 | 39.9% |
| Net Property Tax Revenues | \$ 121,789,436 | \$ 118,323,055 | \$ (3,466,381) | -2.8% |
| Personal Property Replacement Tax | \$ 12,800,000 | \$ 14,500,000 | \$ 1,700,000 | 13.3% |
| Tuition and Fees | \$ 73,086,025 | \$ 119,668,109 | \$ 46,582,084 | 63.7% |
| Auxiliary/Enterprise | \$ 8,682,589 | \$ 9,649,174 | \$ 966,585 | 11.1% |
| Investment Revenue | \$ 4,300,000 | \$ 1,000,000 | \$ (3,300,000) | -76.7% |
| Local Government Grants | \$ 2,393,000 | \$ 9,592,377 | \$ 7,199,377 | 300.9% |
| Total Local Sources | \$ 223,051,050 | \$ 272,732,715 | \$ 49,681,665 | 22.3% |
| State Government | \$ 89,637,482 | \$ 92,362,614 | \$ 2,725,132 | 3.0% |
| Federal Government | \$ 70,900,546 | \$ 156,963,659 | \$ 86,063,113 | 121.4% |
| Subtotal State & Federal Sources | \$ 160,538,028 | \$ 249,326,273 | \$ 88,788,245 | 55.3% |
| Other Sources | \$ 1,835,700 | \$ 2,828,579 | \$ 992,879 | 54.1% |
| Total | \$ 476,140,012 | \$ 651,837,073 | \$ 175,697,061 | 36.9% |

Source: City Colleges of Chicago Final FY2008 Budget, p. 67 and FY2012 Tentative Budget, p. 69.

Resources for Unrestricted Operating Funds: FY2012

City Colleges' operating funds consist of all funds except the Capital Fund and are used for daily operations including pass-through grants of student aid to students from the federal and state governments. Unrestricted operating funds are those funds over which City Colleges has the most discretion and control. They include resources for the Education Fund, Operations and Maintenance Fund and Auxiliary/Enterprise Fund and exclude restricted grants, such as student financial aid.²⁶ The FY2012 Tentative Budget projects that 58.1% of all unrestricted operating resources will come from state and local government sources, and approximately 38.0% will be provided by tuition and fees.



Resources for Unrestricted Operating Funds: Two- and Five-Year Trends

Unrestricted operating revenues will increase by 2.1%, or \$19.2 million, in FY2012, rising from \$308.6 million in FY2011 to \$315.1 million. State revenues for unrestricted operating purposes are projected to increase by \$1.2 million, or 1.9%. Local government unrestricted funds (i.e., property tax revenues) are expected to increase by 0.9%, or \$1.1 million (see page 20 for details).

²⁶ 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 FY2012 Tentative Annual Operating Budget, pp. 37-38.

No federal government resources or personal property replacement tax revenues are used for unrestricted operating purposes in either FY2011 or FY2012.

| City Colleges Resources for Unrestricted Operating Funds: FY2011 & FY2012 | | | | |
|------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|---------------------|-----------------|
| Sources of Resources | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Local Government | \$ 117,237,992 | \$ 118,323,055 | \$ 1,085,063 | 0.9% |
| State Government | \$ 63,683,543 | \$ 64,865,243 | \$ 1,181,700 | 1.9% |
| Tuition and Fees | \$ 113,339,718 | \$ 119,668,109 | \$ 6,328,391 | 5.6% |
| Auxiliary/Enterprise | \$ 11,156,570 | \$ 9,649,174 | \$ (1,507,396) | -13.5% |
| Investment Revenue | \$ 2,000,000 | \$ 1,000,000 | \$ (1,000,000) | -50.0% |
| Other Sources | \$ 1,193,020 | \$ 1,565,763 | \$ 372,743 | 31.2% |
| Total | \$ 308,610,843 | \$ 315,071,344 | \$ 6,460,501 | 2.1% |

Source: City Colleges of Chicago FY2012 Tentative Budget, p. 72.

The next exhibit examines the five-year change in unrestricted operating funds. Total unrestricted operating fund revenues will increase by 23.5% - from \$255.2 million actually available in FY2008 to \$315.1 million budgeted for FY2012. Tuition and fees have grown the most over the five-year period following a multi-year tuition increase. Tuition and fee revenue increased by \$44.4 million, or 59.0%, over the period. Property tax revenues (local government unrestricted resources) have increased by 5.5%, or \$6.1 million. State government revenues increased by \$9.2 million, or 16.5%. Unrestricted operating revenue from the federal government ended in FY2011.

| City Colleges Resources for Unrestricted Operating Funds: FY2008 & FY2012 | | | | |
|--------------------------------------------------------------------------------------|--------------------------|----------------------------------------|----------------------|-----------------|
| Sources of Resources | FY2008 Actual | FY2012 Tentative Budget | \$ Change | % Change |
| Local Government | \$ 112,188,206 | \$ 118,323,055 | \$ 6,134,849 | 5.5% |
| State Government | \$ 55,689,877 | \$ 64,865,243 | \$ 9,175,366 | 16.5% |
| Federal Government | \$ 632,666 | \$ - | \$ (632,666) | -100.0% |
| Tuition and Fees | \$ 75,276,720 | \$ 119,668,109 | \$ 44,391,389 | 59.0% |
| Auxiliary/Enterprise | \$ 5,459,989 | \$ 9,649,174 | \$ 4,189,185 | 76.7% |
| Investment Revenue | \$ 4,299,381 | \$ 1,000,000 | \$ (3,299,381) | -76.7% |
| Other Sources | \$ 1,649,389 | \$ 1,565,763 | \$ (83,626) | -5.1% |
| Total | \$ 255,196,228 | \$ 315,071,344 | \$ 59,875,116 | 23.5% |

Source: City Colleges of Chicago FY2011 Adopted Budget, p. 82 and FY2012 Tentative Budget, p. 72.

City Colleges Tuition Rates

The in-district tuition rates for City Colleges will increase in FY2012 from \$87 to \$89 per credit hour. This rate has increased gradually from \$72 in FY2009. City Colleges' tuition and mandatory fees are competitive with other northeastern Illinois regional community colleges, as the exhibit below demonstrates.

| Fall 2011 Credit Hour Tuition for Selected Community College Districts | | | |
|-------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------|------------------|
| College | In-District Tuition Per Credit Hour | Required Fees for Full-Time Students, pro-rated per credit hour* | Total |
| College of DuPage (Glen Ellyn) | \$ 99.15 | \$ 29.85 | \$ 129.00 |
| South Suburban College (South Holland) | \$ 110.00 | \$ 15.75 | \$ 125.75 |
| Harper College (Palatine) | \$ 102.50 | \$ 20.75 | \$ 123.25 |
| College of Lake County | \$ 93.00 | \$ 16.00 | \$ 109.00 |
| City Colleges of Chicago | \$ 89.00 | \$ 16.67 | \$ 105.67 |
| Prairie State College (Chicago Heights) | \$ 91.00 | \$ 13.83 | \$ 104.83 |
| Triton College (River Grove) | \$ 93.00 | \$ 10.33 | \$ 103.33 |
| Morton College (Cicero) | \$ 79.00 | \$ 20.83 | \$ 99.83 |
| Elgin Community College (Elgin) | \$ 99.00 | \$ 0.42 | \$ 99.42 |
| Oakton Community College (Des Plaines) | \$ 91.00 | \$ 5.85 | \$ 96.85 |

*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.

State Equalization Formula

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a District's taxable property wealth. Because the formula for distributing equalization grants does not account for the tax cap law, it assumes that a greater amount of property wealth is available to tax-capped districts than can actually be taxed without seeking approval of the voters through a referendum. Over time, this has meant that state funding for the City Colleges has been eroded.

The current formula on its own would have provided the City Colleges with almost no revenue. To correct this imbalance, the State awarded a \$15.0 million grant to the City Colleges in FY2005. The State has renewed the \$15.0 million grant each year since FY2006, and the District assumes that it will receive the grant again in FY2012.²⁷

Property Tax Revenues

Property tax years are the same as calendar years. However, the City Colleges fiscal year is July 1 to June 30, and there is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2011 will actually be received in 2012. The

²⁷ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 13.

effect of these two issues is that property tax funds available during the City Colleges upcoming fiscal year (FY2012) will be drawn from part of tax year 2010 and part of tax year 2011.

In FY2012, the City Colleges expects to receive a net total of approximately \$118.3 million in property tax revenues. The gross amount of tax levy revenues will be \$123.3 million. Because the tax year 2011 levy will be held flat at the same amount as the prior year, the estimated gross amount attributable to each half tax year is \$61.6 million. Although the gross levy revenues are expected to decline slightly between FY2011 and FY2012, net property tax revenues are expected to increase by 0.9%, or \$1.1 million, due to lower projected tax refunds owed and a reduced withholding for loss and cost of collection.²⁸ The reduction in this amount is the result of a policy change. Historically, the District estimated that it required a reserve for back tax refunds totaling 3.0% of the annual levy. In 2010 the finance staff completed a ten-year review of actual refunds and determined that the reserve should be reduced to 1.0%. A similar review of actual loss and cost of collection amounts concluded that this reserve should be reduced from 5.0% to 3.0% of the levy. Applying these reductions to the 2010 and 2011 levies resulted in the \$1.1 million increase in property tax revenue projections for FY2012. The FY2011 projection consisted of half of the 2009 levy at 3.0% for back taxes and 5.0% for loss and cost of collection and half of the 2010 levy at 1.0% and 3.0%, respectively.²⁹

| Property Tax Revenues Received by City Colleges: FY2011 & FY2012 | | |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|
| | FY2011 | FY2012 |
| 1/2 Estimated Gross 2009 Levy | \$ 63,126,591 | - |
| 1/2 Estimated Gross 2010 Levy | \$ 61,626,591 | - |
| 1/2 Estimated Gross 2010 Levy | - | \$ 61,626,591 |
| 1/2 Estimated Gross 2011 Levy | - | \$ 61,626,591 |
| Subtotal Gross Levy Funds Available | \$ 124,753,182 | \$ 123,253,182 |
| Back Taxes Revenue | \$ (2,510,064) | \$ (1,232,532) |
| Estimated Loss and Cost of Collection | \$ (5,005,127) | \$ (3,697,595) |
| Total (Net Levy) | \$ 117,237,991 | \$ 118,323,055 |
| \$ Change FY2011 to FY2012 | | \$ 1,085,064 |
| % Change FY2011 to FY2012 | | 0.9% |

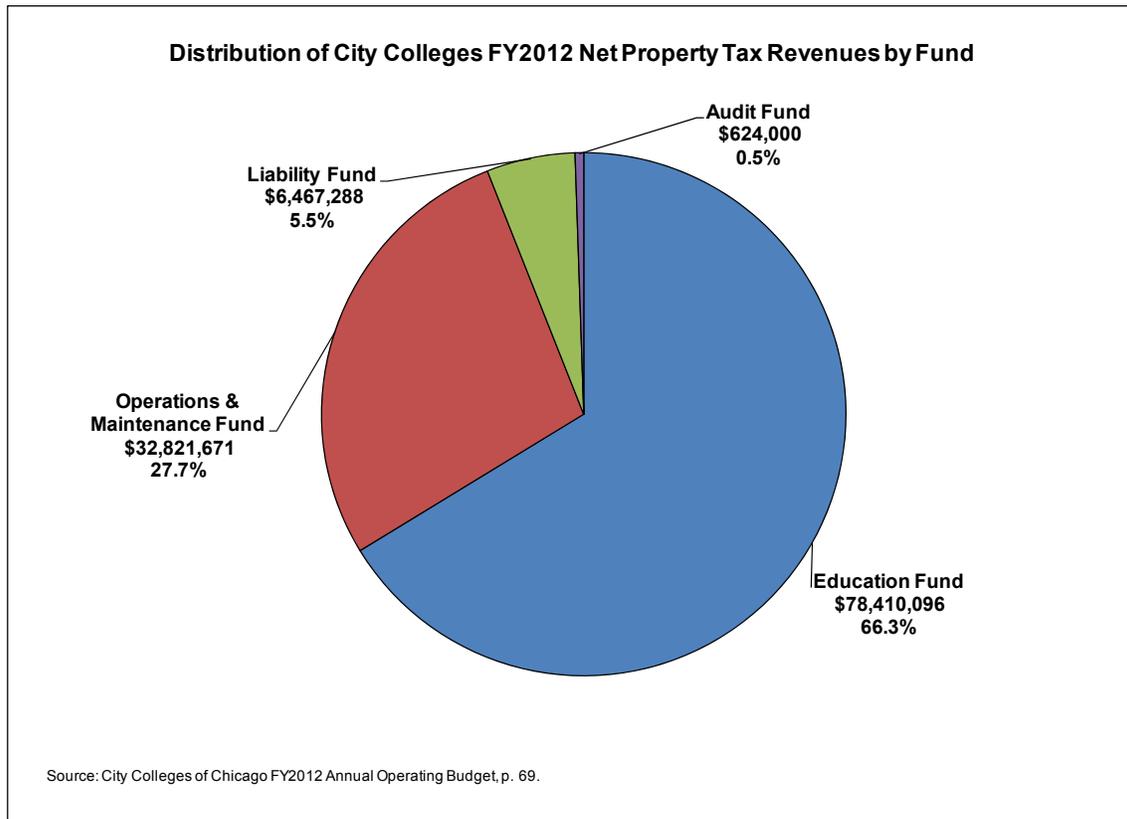
Source: City Colleges of Chicago FY2011 Final Budget p. 79 and FY2012 Tentative Budget, p. 69.

All of the \$118.3 million in property tax revenues available in FY2012 are for operating funds that are subject to the State's property tax cap law. The law limits annual property tax increases to 5.0% or inflation, whichever is less, with an exception for new property. City Colleges currently levies for four operating funds, all of which are included under the state tax cap: education fund, operations and maintenance fund, audit fund and the liability fund. The distribution of net City Colleges' property tax revenues for FY2012 is shown below. Approximately 66.3%, or \$78.4 million, is earmarked for the Education Fund, which is the City Colleges' general operating fund. Over \$32.8 million or 27.7% of net property tax revenues is

²⁸ City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, pp. 43-44. For more on loss in collection, see Civic Federation, *The Cook County Property Tax Extension Process*, p. 14. <http://www.civicfed.org/civic-federation/publications/cook-county-property-tax-extension-process-primer-levies-tax-caps-and->

²⁹ Information provided by City Colleges Finance Office, July 7, 2011.

earmarked for operations and maintenance and \$6.5 million or 5.5% of the total is reserved for the liability, protection and settlement fund.



Five-Year Property Tax Levy Trend including City of Chicago Property Tax Levy for City Colleges

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.³⁰ The City does so because of the expiration of District authority to levy for debt issued by the PBC on behalf of the City Colleges. Debt service limits for the City Colleges were fixed at the time the tax cap law was implemented in 1995. At that time, the District’s debt burden consisted of obligations issued through the PBC and paid for through a PBC Operations and Maintenance (O&M) levy. When these were paid, the O&M levy was eliminated, which requires the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for PBC Commission obligations and City Colleges’ projects.³¹

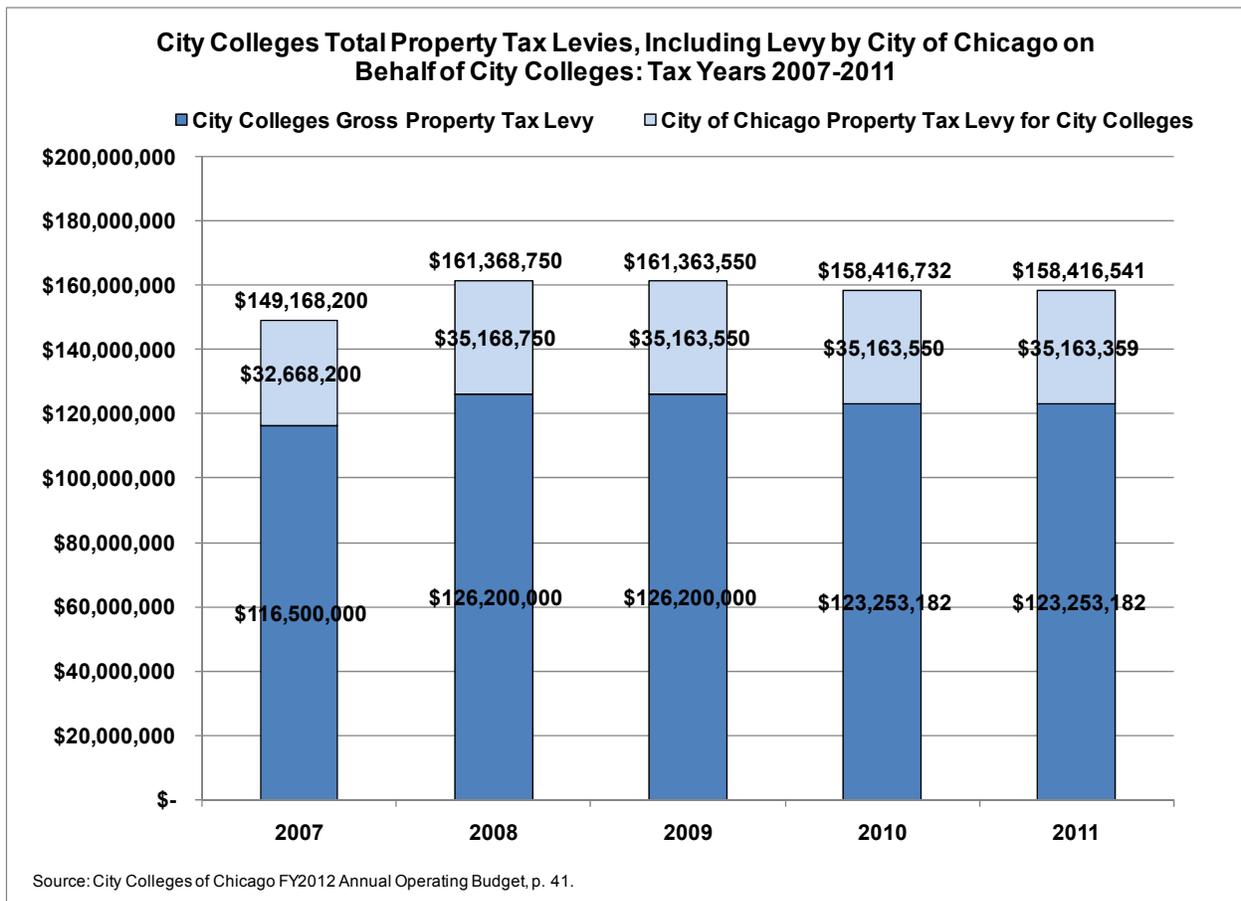
The City levy on behalf of the City Colleges does not represent an increase in taxing authority for the District, but rather is set at levels previously authorized for the O&M levy. Without these funds, the City Colleges would be hard pressed to raise adequate funds for maintenance, rehabilitation and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

³⁰ The City of Chicago similarly levies property taxes on behalf of the Chicago Public Schools.

³¹ Information provided by City Colleges of Chicago Finance Office, June 26, 2008.

City's levy for the City Colleges debt was \$32.6 million in tax year 2007 and rose to \$35.2 million in tax year 2008, where it has remained. This levy is part of the City of Chicago tax rate and does *not* appear as a separate line item on property tax bills. This levy is shown in the City Colleges budget but is not discussed in the City of Chicago's budget.

As illustrated below, the City Colleges gross tax levy rose by 8.3% in tax year 2008 from \$116.5 million to \$126.2 million. The levy was reduced in tax year 2010 by 2.3% to \$123.3 million. Total property tax levies for City Colleges, including the City of Chicago levy for City Colleges capital improvement bonds, rose from \$149.2 million in tax year 2007 to \$161.4 million in 2008 before declining to \$158.4 million in 2010.



ENROLLMENT TRENDS

City Colleges experienced a slight decrease in student enrollment between FY2010 and FY2011 of 200 FTE students, or 0.4%. This represented a decline from 47,776 to 47,576 FTEs. However, enrollment is expected to increase in FY2012 over FY2011 by approximately 2.9%.³²

Student enrollment in FY2011 rose in the City Colleges largest instructional area, the college credit program, by 1,847 FTEs, or 6.8%. It also rose in the continuing education area by 18.8%, or 101 FTEs. However, enrollment fell in four general instructional areas: pre-credit programs were down 5.0%, adult education fell 8.9%, vocational skills declined by 34.7% and career technology was down 30.5%. The enrollment increases in college credit courses in FY2011 have resulted in larger class sizes, increased needs for academic and student support services and a greater number of students taking remedial education courses.³³

| City Colleges Full-Time Equivalent (FTE) Enrollment: FY2010 & FY2011 | | | | |
|---------------------------------------------------------------------------------|---------------|----------------|-----------------|-----------------|
| Type | FY2010 | FY2011* | # Change | % Change |
| Credit | 27,347 | 29,194 | 1,847 | 6.8% |
| Pre-Credit | 1,133 | 1,076 | (57) | -5.0% |
| Continuing Education | 537 | 638 | 101 | 18.8% |
| Adult Education | 16,919 | 15,417 | (1,502) | -8.9% |
| <i>ABE</i> | 4,444 | 3,756 | (688) | -15.5% |
| <i>GED</i> | 1,623 | 1,868 | 245 | 15.1% |
| <i>ESL</i> | 10,849 | 9,787 | (1,062) | -9.8% |
| Vocational Skills | 681 | 445 | (236) | -34.7% |
| Career Tech | 1,159 | 806 | (353) | -30.5% |
| Total | 47,776 | 47,576 | (200) | -0.4% |

*FY2011 enrollment data is a preliminary estimate as of May 12, 2011.

Source: City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 361.

³² City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 14.

³³ City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 32.

Between FY2007 and FY2011, City Colleges FTE enrollment rose by 19.1%, up from 39,931 to 47,776. The largest increase came in the college credit instructional area, which experienced a 41.4% increase. City Colleges attributes the enrollment increases in its college credit programs to the continuing negative impact of the economic situation in the Chicagoland region.³⁴ Other increases will be in the pre-credit (up 9.0%) and continuing education (up 11.3%) areas. FTE decreases will be experienced in the following areas:

- Vocational skills enrollment will drop by 60.1%, or 669 FTEs.
- Career technology FTEs will decrease by 15.2%, falling from 951 to 806 FTEs.
- Adult education FTEs will drop slightly by 242 FTEs, or 1.5%.

| City Colleges Full-Time Equivalent (FTE) Enrollment: FY2007-FY2011 | | | | | | | |
|---------------------------------------------------------------------------|---------------|---------------|----------------|---------------|-----------------|--------------------------|--------------------------|
| Type | FY2007 | FY2008 | FY2009* | FY2010 | FY2011** | # Change (5-Year) | % Change (5-Year) |
| Credit | 20,647 | 21,165 | 23,218 | 27,347 | 29,194 | 8,547 | 41.4% |
| Pre-Credit | 987 | 1,009 | 1,110 | 1,133 | 1,076 | 89 | 9.0% |
| Continuing Education | 573 | 470 | 432 | 537 | 638 | 65 | 11.3% |
| Adult Education | 15,659 | 15,068 | 16,615 | 16,919 | 15,417 | (242) | -1.5% |
| <i>ABE</i> | 3,243 | 3,466 | 4,010 | 4,444 | 3,756 | 513 | 15.8% |
| <i>GED</i> | 1,490 | 1,355 | 1,561 | 1,623 | 1,868 | 378 | 25.4% |
| <i>ESL</i> | 10,926 | 10,247 | 11,044 | 10,849 | 9,787 | (1,139) | -10.4% |
| Vocational Skills | 1,114 | 698 | 718 | 681 | 445 | (669) | -60.1% |
| Career Tech | 951 | 1,378 | 1,278 | 1,159 | 806 | (145) | -15.2% |
| Total | 39,931 | 39,788 | 43,371 | 47,776 | 47,576 | 7,645 | 19.1% |

*FY2009 enrollment figures slightly different from Budget Book due to rounding.

**FY2011 enrollment data is a preliminary estimate as of May 12, 2011.

Source: City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 361.

PERSONNEL AND PERSONNEL SERVICES

Between FY2011 and FY2012, the City Colleges will hire a substantial number of new employees. Many of these new positions will support the efforts of the District's comprehensive *Reinvention* process and include increases in the number of full-time faculty and administrators as well as financial aid and counseling staff.³⁵

The number of full-time City Colleges employees will increase by 438 FTE positions, or 22.6% in FY2012 from the previous year. The number of teaching faculty will increase by 76, or 12.6% and the number of full-time administrators will increase by 27.4%, or 78 positions. Professional staff positions will be increased by 258, or 68.4%. New full-time positions include: adult education managers, associate deans for student services, associate deans for instruction, assistant directors for grants and contracts, business managers, college advisors, computer support specialists, coordinators for information technology and testing center, functional applications analysts, lab managers, various project directors, including student service, and placement specialists.³⁶

³⁴ City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 34.

³⁵ City Colleges FY2012 Tentative Annual Operating Budget, p. iv.

³⁶ Information provided by City Colleges Finance Office, July 7, 2011.

Part-time positions during this same period will rise by 12.9%, increasing from 3,971 to 4,485.³⁷ These include a variety of positions such as adult education coordinators, career coaches, case workers, clinical coordinators, computer lab assistants, computer lab technicians, coordinators, hourly professional staff, note takers, librarians, student academic service assistants, student ambassadors, student audio visual production assistants, student clerical assistants, student food service interns, student peer advisors and tutors.³⁸

| City Colleges Full-Time Equivalent Positions by Type: FY2011-FY2012 | | | | | |
|----------------------------------------------------------------------------|------------------|----------------|---------------|-----------------|-----------------|
| Position Type | Status | FY2011* | FY2012 | # Change | % Change |
| Teaching Faculty | Full Time | 602 | 678 | 76 | 12.6% |
| | Part Time | 2,355 | 2,383 | 28 | 1.2% |
| Administrative Staff | Full Time | 285 | 363 | 78 | 27.4% |
| | Part Time | 0 | 2 | 2 | 0.0% |
| Professional Staff | Full Time | 377 | 635 | 258 | 68.4% |
| | Part Time | 541 | 884 | 343 | 63.4% |
| Civil Service | Full Time | 677 | 703 | 26 | 3.8% |
| | Part Time | 1,075 | 1,216 | 141 | 13.1% |
| Total | Full Time | 1,941 | 2,379 | 438 | 22.6% |
| | Part Time | 3,971 | 4,485 | 514 | 12.9% |

*FY2011 enrollment data is a preliminary estimate as of May 12, 2011.

Source: City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 356.

The next exhibit shows that over the period between FY2008 and FY2012, the number of full-time City Colleges employees will increase by 23.6%, or 455 employees, from 1,924 to 2,379. Part-time positions will increase by 13.7% over the five-year period, from 3,945 to 4,485.³⁹

| City Colleges Full-Time Equivalent Positions by Type: FY2008-FY2012 | | | | | | | | |
|----------------------------------------------------------------------------|------------------|---------------|---------------|---------------|----------------|---------------|--------------------------|--------------------------|
| Position Type | Status | FY2008 | FY2009 | FY2010 | FY2011* | FY2012 | # Change (5-Year) | % Change (5-Year) |
| Teaching Faculty | Full Time | 616 | 600 | 604 | 602 | 678 | 62 | 10.1% |
| | Part Time | 2,287 | 2,235 | 2,407 | 2,355 | 2,383 | 96 | 4.2% |
| Administrative Staff | Full Time | 292 | 307 | 302 | 285 | 363 | 71 | 24.3% |
| | Part Time | 0 | 0 | 0 | 0 | 2 | 2 | 0.0% |
| Professional Staff | Full Time | 323 | 357 | 368 | 377 | 635 | 312 | 96.6% |
| | Part Time | 527 | 501 | 525 | 541 | 884 | 357 | 67.7% |
| Civil Service | Full Time | 693 | 696 | 696 | 677 | 703 | 10 | 1.4% |
| | Part Time | 1,131 | 1,150 | 1,090 | 1,075 | 1,216 | 85 | 7.5% |
| Total | Full Time | 1,924 | 1,960 | 1,970 | 1,941 | 2,379 | 455 | 23.6% |
| | Part Time | 3,945 | 3,886 | 4,022 | 3,971 | 4,485 | 540 | 13.7% |

*FY2011 enrollment data is a preliminary estimate as of May 12, 2011.

Source: City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 356.

Personnel Appropriations: All Funds and Unrestricted Funds

Between FY2011 and FY2012, City Colleges' personnel appropriations for all funds are expected to increase by 10.0%, rising from \$261.7 million to \$287.9 million. Salaries will rise by

³⁷ The position figures represent filled positions, not vacancies. See City Colleges FY2012 Tentative Annual Operating Budget, p. 356.

³⁸ Information provided by City Colleges Finance Office, July 7, 2011.

³⁹ The position figures represent filled positions, not vacancies. See City Colleges FY2012 Tentative Annual Operating Budget, p. 356.

9.3%, or \$18.4 million, while benefits will increase at a faster rate, rising by 12.4% from \$63.1 million to \$70.9 million.⁴⁰

| City Colleges All Funds Personnel Appropriations: FY2011 & FY2012 | | | | |
|------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|----------------------|-----------------|
| Appropriation | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Salaries | \$ 198,564,102 | \$ 216,959,265 | \$ 18,395,163 | 9.3% |
| Benefits | \$ 63,149,730 | \$ 70,954,706 | \$ 7,804,976 | 12.4% |
| Total | \$ 261,713,832 | \$ 287,913,971 | \$ 26,200,139 | 10.0% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 77 and City Colleges FY2012 Tentative Annual Operating Budget, p. 69.

Appropriations for personnel costs from unrestricted funds will increase by \$21.8 million or 10.4%, from \$209.6 million to \$231.4 million between FY2011 and FY2012. Salaries will increase by 12.8% while benefits will decrease slightly by 1.7%.^{41,42}

| City Colleges Unrestricted Operating Funds Personnel Appropriations: FY2011 & FY2012 | | | | |
|-----------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|----------------------|-----------------|
| Appropriation | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Salaries | \$ 174,955,910 | \$ 197,386,766 | \$ 22,430,856 | 12.8% |
| Benefits | \$ 34,631,287 | \$ 34,045,336 | \$ (585,951) | -1.7% |
| Total | \$ 209,587,197 | \$ 231,432,102 | \$ 21,844,905 | 10.4% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 80 and City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 72.

⁴⁰ Comparable data are not available for a 5-year comparison of benefits for all funds.

⁴¹ A majority of benefit costs, or \$36.9 million in FY2012, are associated with restricted purpose funds – these expenses will rise from \$28.5 million in the previous year. This is a 29.4% increase. See City Colleges FY2012 Tentative Annual Operating Budget, p. 72.

⁴² The unrestricted funds salary increase of \$22.4 million is higher than the all funds salary increase of \$18.4 million because the District's restricted (grants) salary estimate fell by \$4 million from the FY2011 budget due to changes in the FY2010 actual audited grant expenditures. The FY2010 actual audit grant expenditures are used as the basis to distribute by account the unrestricted funds FY2012 budget. Information provided by City Colleges Finance Office, July 7, 2011.

In the five-year period between FY2008 and FY2012, benefit appropriations are expected to increase by \$28.0 million, or 13.8%. Salaries will rise by \$25.8 million, or 15.1%, during the same period.

| City Colleges Unrestricted Operating Funds Personnel Appropriations: FY2008 & FY2012 | | | | |
|-----------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------|----------------------|-----------------|
| Appropriation | FY2008 Actual | FY2012 Tentative Budget | \$ Change | % Change |
| Salaries | \$ 171,553,078 | \$ 197,386,766 | \$ 25,833,688 | 15.1% |
| Benefits | \$ 31,828,161 | \$ 34,045,336 | \$ 2,217,175 | 7.0% |
| Total | \$ 203,381,239 | \$ 231,432,102 | \$ 28,050,863 | 13.8% |

Source: City Colleges of Chicago FY2010 Annual Operating Budget, p. 85 and City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 72.

Employee Insurance Costs: Operating Funds

Between the adopted FY2011 budget and the proposed FY2012 budget, employee insurance costs in the City Colleges operating funds⁴³ are expected to decrease by \$1.1 million or 3.3%, from \$34.1 million to \$32.9 million. All costs will either decrease or remain flat. Costs for the largest benefit component, medical insurance, will fall by 2.3%. However, it is important to note that City Colleges forecast total benefit spending for FY2011 to be significantly under budget at \$27.2 million. Therefore, there may be a 21.2% cost increase in FY2012 rather a 3.3% decrease (unless FY2012 spending also ends up significantly under budget). Similarly, medical insurance costs for FY2011 are forecast at \$21.6 million. If the budgeted amount of \$27.2 million is spent, that would represent a 26.0% increase. The increases over the FY2011 forecast amount reflect the hiring of additional full-time, benefits-eligible staff.⁴⁴

| City Colleges of Chicago Employee Insurance Costs: FY2011 & FY2012 | | | | |
|-------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|-----------------------|-----------------|
| Benefit Type | FY2011 Adopted Budget | FY2012 Tentative Budget | \$ Change | % Change |
| Medical Insurance | \$ 27,862,427 | \$ 27,209,857 | \$ (652,570) | -2.3% |
| Dental Insurance | \$ 1,937,790 | \$ 1,937,790 | \$ - | 0.0% |
| Vision | \$ 359,008 | \$ 359,010 | \$ 2 | 0.0% |
| Life Insurance | \$ 680,540 | \$ 525,000 | \$ (155,540) | -22.9% |
| Unemployment Insurance | \$ 2,300,000 | \$ 2,000,000 | \$ (300,000) | -13.0% |
| Worker's Compensation | \$ 981,400 | \$ 957,481 | \$ (23,919) | -2.4% |
| Total | \$ 34,121,165 | \$ 32,989,138 | \$ (1,132,027) | -3.3% |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 72, and FY2012 Tentative Annual Operating Budget, p. 62.

⁴³ The City Colleges operating funds include all funds except the capital, debt service or working cash funds. These funds account for the District's general operations.

⁴⁴ City Colleges FY2012 Tentative Annual Operating Budget, p. 62.

Between the actual FY2008 and budgeted FY2012, City Colleges benefit costs will rise by 21.9%, or \$7.2 million, from \$25.7 million to \$32.9 million. Medical insurance costs will increase by \$4.5 million, or 16.7%, from \$22.6 million to \$27.2 million. The largest percentage increase will be for unemployment insurance, which will experience a 78.2% rise. Life insurance costs will drop from \$0.6 million to \$0.5 million, a 23.4% decrease.

| City Colleges of Chicago Employee Insurance Costs: FY2008 & FY2012 | | | | |
|-------------------------------------------------------------------------------|----------------------|--------------------------------|---------------------|-----------------|
| Benefit Type | FY2008 Actual | FY2012 Tentative Budget | \$ Change | % Change |
| Medical Insurance | \$ 22,661,720 | \$ 27,209,857 | \$ 4,548,137 | 16.7% |
| Dental Insurance | \$ 1,344,536 | \$ 1,937,790 | \$ 593,254 | 30.6% |
| Vision Service Plan | \$ 235,775 | \$ 359,010 | \$ 123,235 | 34.3% |
| Standard Life Insurance | \$ 647,838 | \$ 525,000 | \$ (122,838) | -23.4% |
| Unemployment Insurance | \$ 435,658 | \$ 2,000,000 | \$ 1,564,342 | 78.2% |
| Worker's Compensation | \$ 426,369 | \$ 957,481 | \$ 531,112 | 55.5% |
| Total | \$ 25,751,896 | \$ 32,989,138 | \$ 7,237,242 | 21.9% |

Source: City Colleges of Chicago FY2012 Tentative Annual Operating Budget, p. 62.

UNRESERVED FUND BALANCE RATIO

The Government Finance Officers Association (GFOA) recommends that governments maintain an unreserved general fund balance of no less than two months, or 16.7%, of regular general fund operating revenues or regular general fund operating expenditures.⁴⁵ The purpose of this indicator is to measure the ability of a government to quickly convert illiquid assets to cash to meet contingency needs. Data used to calculate the ratio is found in the Statement of Net assets in the City Colleges audited financial report.

Between FY2006 and FY2010, City Colleges' general operating funds' unrestricted fund balance increased slightly from 20.2% of operating expenses or \$63.8 million to 21.5% or \$86.8 million. For all five years analyzed, unrestricted fund balance ratio has been above the minimum two months of operating expenses recommended by the GFOA. The establishment of a healthy fund balance ratio for City Colleges is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000.

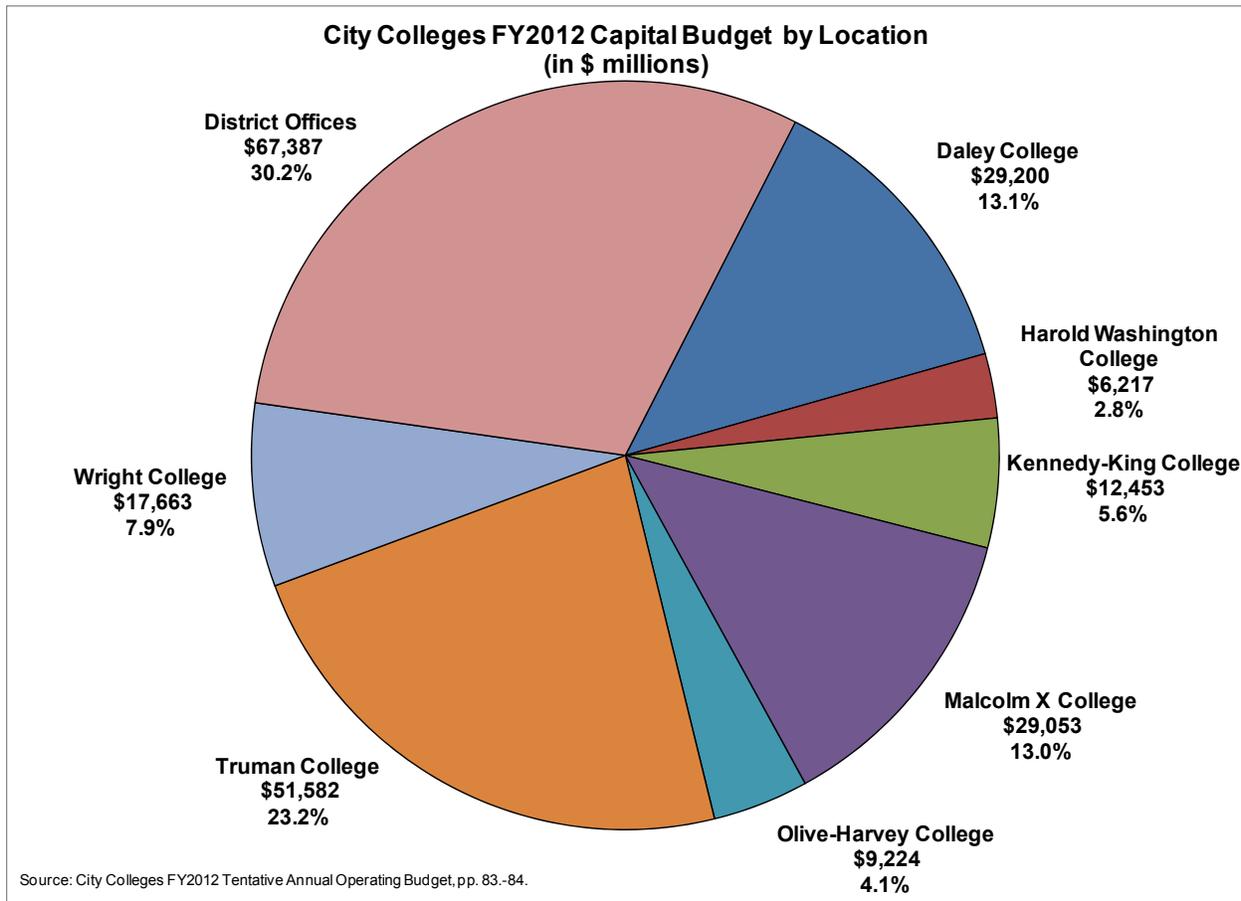
| City Colleges Unreserved Fund Balance Ratio: FY2006-FY2010 | | | |
|-------------------------------------------------------------------|----------------------------------|---------------------------|--------------|
| Fiscal Year | Unrestricted Fund Balance | Operating Expenses | Ratio |
| FY2006 | \$ 63,823,389 | \$ 316,273,616 | 20.2% |
| FY2007 | \$ 77,358,746 | \$ 325,434,665 | 23.8% |
| FY2008 | \$ 71,794,664 | \$ 389,995,809 | 18.4% |
| FY2009 | \$ 67,104,370 | \$ 372,202,855 | 18.0% |
| FY2010 | \$ 86,874,142 | \$ 404,365,535 | 21.5% |

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2006 - FY2010.

⁴⁵ Government Finance Officers Association, Recommended Practice on Appropriate Level of Unreserved Fund Balance in the General Fund (2009). The 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 CCC to maintain adequate reserves.

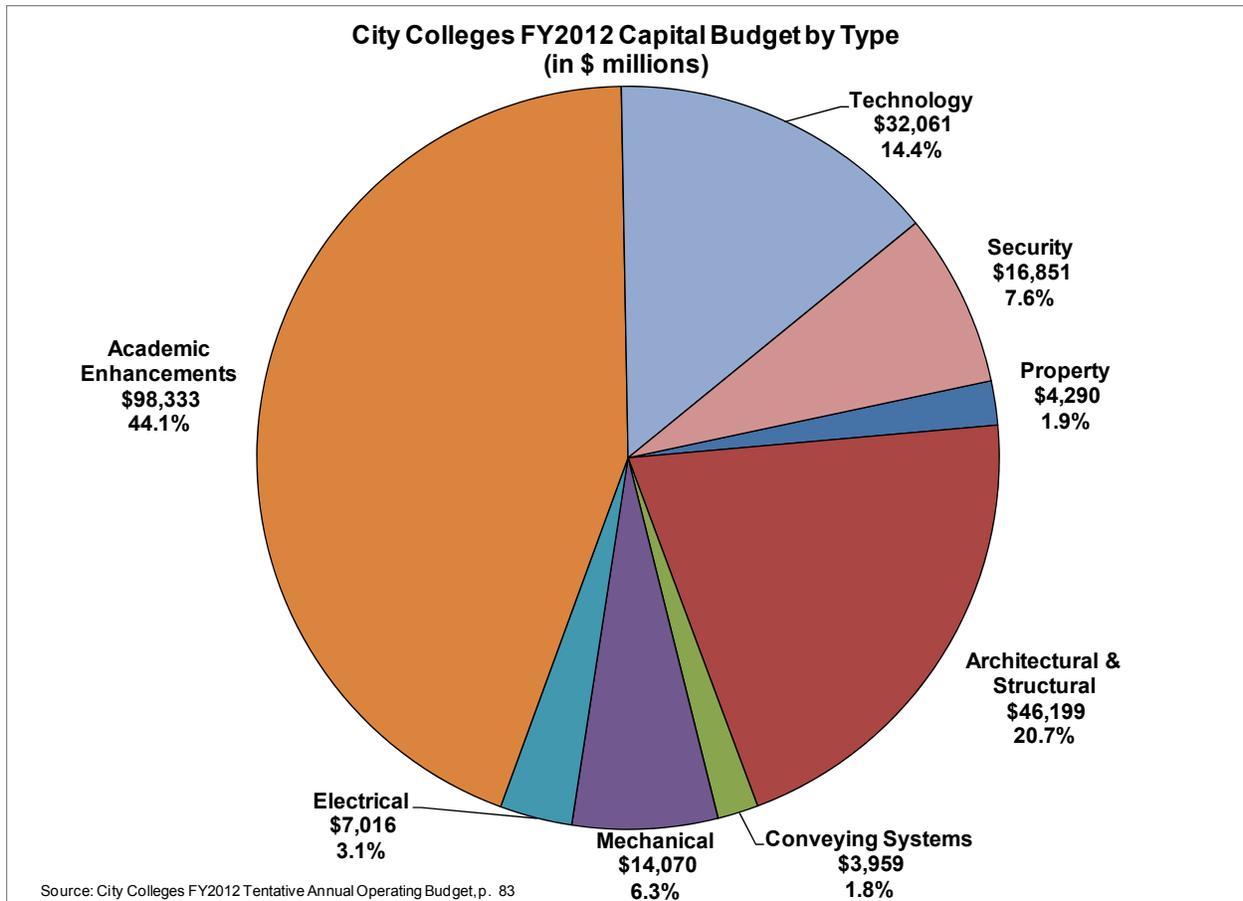
CAPITAL BUDGET

The City Colleges prepares a capital budget at the same time as the operating budget. In FY2012, the total capital budget is proposed to be \$222.8 million. The distribution of those funds by location is shown below. The largest amount of capital spending, or 30.2%, will be for the district offices. The second largest amount totaling \$51.6 million, or 23.2%, of all funding will be earmarked for Truman College to be used to complete the college's parking structure and begin renovation of student services facilities.⁴⁶



⁴⁶ City Colleges FY2012 Tentative Annual Operating Budget, p. 90.

The next exhibit shows the capital budget by type of expenditure. Approximately \$98.3 million or 44.1% of the budget will be earmarked for academic enhancements in the colleges while 20.7%, or \$46.2 million, is projected for architectural and structural purposes.



The District originally developed a Capital Improvement Plan (CIP) in 2006. The CIP included a comprehensive survey of all existing capital assets conducted by a team of architects and engineers, a condition assessment of all existing capital assets and a cost estimate related to the ongoing replacement and maintenance of those assets. Projects were then prioritized and planned using needs-based criteria beginning with the FY2007-2011 CIP. The dollar amount of approved capital projects by location for the FY2012-2016 CIP is shown in the next exhibit. Over this 5-year period, City Colleges has identified \$1.0 billion in capital needs. Malcolm X and Daley Colleges will require about 59.1% of this amount, or \$591.6 million.

| Approved Capital Projects by Location: FY2012-FY2016 | | | | | | |
|-------------------------------------------------------------|------------------|------------------|------------------|------------------|-----------------|--------------------|
| (in \$ thousands) | | | | | | |
| College or Office | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | Total |
| Daley College | \$ 29,200 | \$ 49,636 | \$109,088 | \$ 53,531 | \$13,933 | \$ 255,388 |
| Harold Washington College | \$ 6,217 | \$ 1,410 | \$ 1,085 | \$ 2,212 | \$ 6,236 | \$ 17,160 |
| Kennedy-King College | \$ 12,453 | \$ 2,506 | \$ 4,521 | \$ 2,661 | \$ 8,289 | \$ 30,430 |
| Malcolm X College | \$ 29,053 | \$ 48,994 | \$133,229 | \$121,961 | \$ 2,986 | \$ 336,223 |
| Olive-Harvey College | \$ 9,224 | \$ 34,483 | \$ 49,119 | \$ 56,685 | \$ 2,219 | \$ 151,730 |
| Truman College | \$ 51,582 | \$ 3,825 | \$ 10,566 | \$ 4,167 | \$ 3,926 | \$ 74,066 |
| Wright College | \$ 17,663 | \$ 2,123 | \$ 2,759 | \$ 5,221 | \$ 3,803 | \$ 31,569 |
| District Offices | \$ 67,387 | \$ 16,059 | \$ 10,249 | \$ 5,328 | \$ 5,120 | \$ 104,143 |
| Total | \$222,779 | \$159,036 | \$320,616 | \$251,766 | \$46,512 | \$1,000,709 |

Source: City Colleges of Chicago Tentative Annual Budget FY2012, pp. 88-89

A presentation of the \$1.0 billion in capital needs by type for the City Colleges follows. Approximately 60% of the total CIP amount is projected for new facilities. Most of the \$1.0 billion in approved capital projects does not yet have funding. City Colleges has identified \$182.6 million in state and local resources to date. An additional \$61 million in resources years three through five will likely be available. This means that a total of \$244 million in resources will be available over the next five years to fund the CIP, leaving roughly \$757 million worth of projects unfunded.⁴⁷

| Approved Capital Projects by Type: FY2012-FY2016 | | | | | | |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|-----------------|--------------------|
| (in \$ thousands) | | | | | | |
| Type | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | Total |
| Property | \$ 4,290 | \$ 477 | \$ 3,799 | \$ 258 | \$16,511 | \$ 25,335 |
| Architectural & Structural | \$ 46,199 | \$ 20,361 | \$ 17,431 | \$ 8,570 | \$ 8,647 | \$ 101,208 |
| Conveying Systems | \$ 3,959 | \$ - | \$ 1,032 | \$ 338 | \$ 93 | \$ 5,422 |
| Mechanical | \$ 14,070 | \$ 1,924 | \$ 13,253 | \$ 3,933 | \$ 5,346 | \$ 38,526 |
| Electrical | \$ 7,016 | \$ 4,414 | \$ 7,114 | \$ 2,292 | \$ 3,566 | \$ 24,402 |
| Environmental & Compliance | \$ - | \$ - | \$ 177 | \$ - | \$ 63 | \$ 240 |
| Academic Enhancements | \$ 98,333 | \$ - | \$ - | \$ - | \$ - | \$ 98,333 |
| Technology | \$ 32,061 | \$ 21,110 | \$ 12,810 | \$ 11,375 | \$12,286 | \$ 89,642 |
| Security | \$ 16,851 | \$ 750 | \$ - | \$ - | \$ - | \$ 17,601 |
| New Facilities | \$ - | \$110,000 | \$265,000 | \$225,000 | \$ - | \$ 600,000 |
| Total | \$222,779 | \$159,036 | \$320,616 | \$251,766 | \$46,512 | \$1,000,709 |

Source: City Colleges of Chicago Tentative Annual Budget FY2012, p. 83.

⁴⁷ City Colleges FY2012 Tentative Annual Operating Budget, p. 92.

The next exhibit shows how City Colleges will fund its capital plan in FY2012 and FY2013. About \$142.0 million will be available in FY2012 and \$40.6 million the following year. Local sources will provide most of the funding. These sources include remaining bond funds, funds provided from tax increment financing districts in which colleges are located and monies in the District's Operation and Maintenance Funds for projects – this includes \$3 million received from the Central Loop TIF district in FY2011 and \$6 million received in FY2012. Projected and Actual Restricted Funding includes dollars remaining in the capital funds and the carrying forward of prior year projected capital appropriations. State sources include various grants allocated by the Illinois Capital Development Board, the Illinois Board of Higher Education and other entities.⁴⁸

| Capital Funding Sources: FY2012-2013 | | | |
|---------------------------------------------|-------------------|------------------|-------------------|
| (in \$ thousands) | | | |
| Source | FY2012 | FY2013 | Total |
| Local Sources | | | |
| Reserve for Renewal and Replacement | \$ 19,697 | \$ - | \$ 19,697 |
| Projected and Actual Restricted Funding | \$ 103,303 | \$ 15,000 | \$ 118,303 |
| Personal Property Replacement Tax | \$ 14,500 | \$ 14,500 | \$ 29,000 |
| Tax Increment Financing | \$ 3,408 | \$ 1,136 | \$ 4,544 |
| Subtotal Local Sources | \$ 140,908 | \$ 30,636 | \$ 171,544 |
| State Sources | | | |
| Capital Renewal Appropriation | \$ 1,100 | \$ - | \$ 1,100 |
| Potential State Bond Sales | \$ - | \$ 10,000 | \$ 10,000 |
| Subtotal State Sources | \$ 1,100 | \$ 10,000 | \$ 11,100 |
| Total | \$ 142,008 | \$ 40,636 | \$ 182,644 |

Source: City Colleges of Chicago Final Budget FY2012, p. 91.

LIABILITIES

This section of the analysis provides an overview of short- and long-term liabilities of the City Colleges of Chicago.

Short-Term Liabilities

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The City Colleges of Chicago currently reports no short-term debt, but does include the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report⁴⁹:

- Accounts payable: monies owed to vendors or employees for goods and services;
- Accrued salaries: employee pay carried over from previous years;
- Deposits held in custody: funds owed to student organizations and other outside entities included in the institution's endowment investment fund;
- Accrued property tax refunds: held in lieu of the property tax appeals process;

⁴⁸ City Colleges FY2012 Tentative Annual Operating Budget, p. 91.

⁴⁹ City Colleges of Chicago FY2010 Comprehensive Annual Financial Report, p 16.

- 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.

Increasing current liabilities at the end of the year as a percentage of the net operating revenues may be a warning sign of a government’s future financial difficulties.⁵⁰ 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.

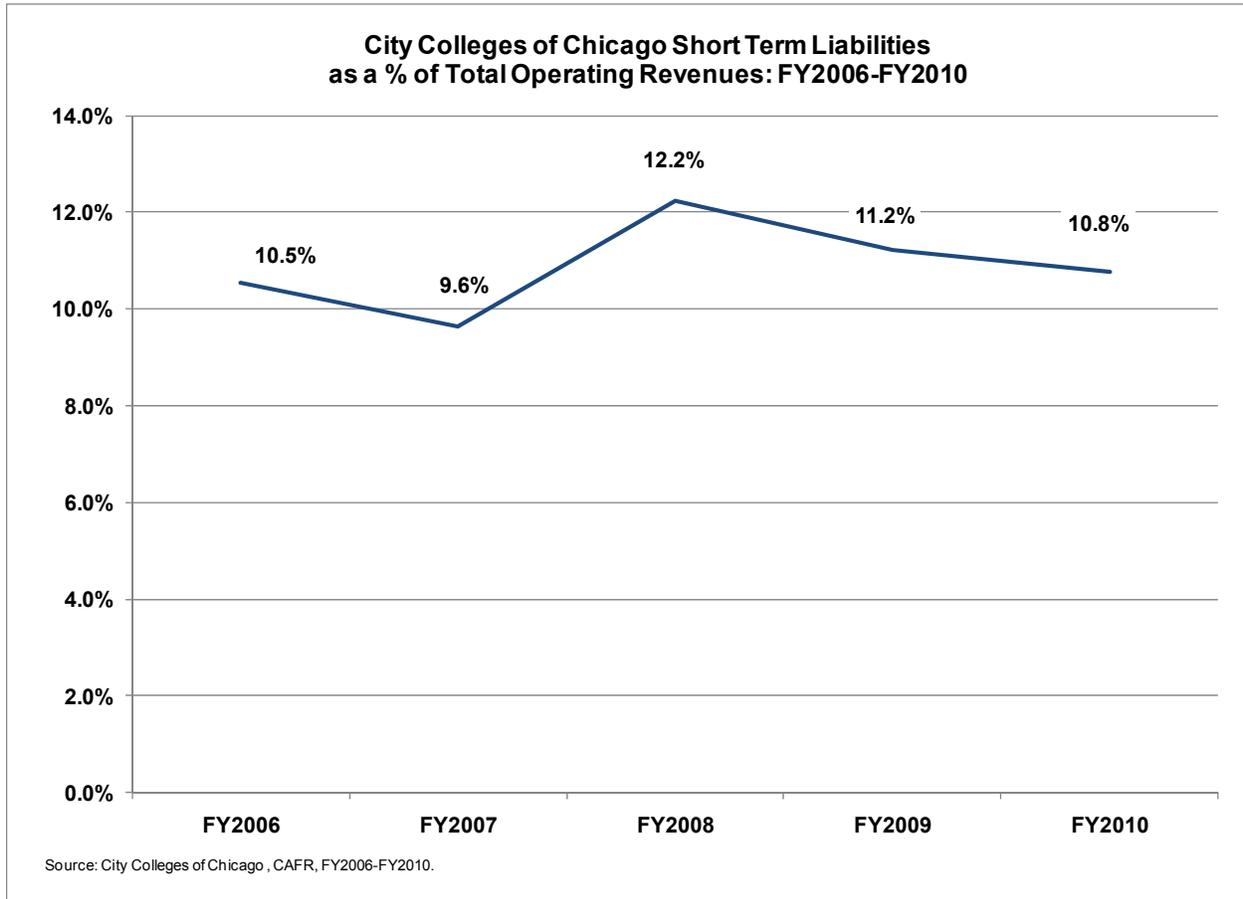
In FY2010 the most recent year that data is available, total short-term liabilities increased by \$1.9 million from the previous year, or 4.5%. Over the past five years, current liabilities rose by 7.2%, or \$3.1 million. The following chart shows short-term liabilities by category and the percent change over the past five years.

| City Colleges Short-Term Liabilities: FY2005-FY2009 | | | | | | | |
|------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------------------|---------------------------------|
| (in \$ thousands) | | | | | | | |
| Current Liability | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | \$ Change (Five-Year) | % Change (Five-Year) |
| Accounts Payable | \$ 7,471.8 | \$ 10,291.9 | \$ 16,253.6 | \$ 11,748.8 | \$ 14,952.2 | \$ 7,480.4 | 100.1% |
| Accrued Payroll | \$ 4,961.7 | \$ 5,572.1 | \$ 6,260.8 | \$ 6,646.1 | \$ 7,240.1 | \$ 2,278.4 | 45.9% |
| Deposits Held In Custody | \$ 2,165.6 | \$ 2,126.8 | \$ 1,947.0 | \$ 2,117.5 | \$ 1,991.3 | \$ (174.3) | -8.0% |
| Accrued PropTax Refunds | \$ 18,994.3 | \$ 18,498.2 | \$ 14,964.3 | \$ 12,275.3 | \$ 8,305.6 | \$ (10,688.7) | -56.3% |
| Other Liabilities | \$ 7,454.2 | \$ 8,094.0 | \$ 10,971.6 | \$ 10,456.2 | \$ 13,546.1 | \$ 6,091.9 | 81.7% |
| Other Accruals | \$ 2,333.8 | \$ 2,838.2 | \$ 951.3 | \$ 1,259.8 | \$ 449.9 | \$ (1,883.9) | -80.7% |
| Total Current Liabilities | \$ 43,381.4 | \$ 47,421.2 | \$ 51,348.6 | \$ 44,503.7 | \$ 46,485.2 | \$ 3,103.8 | 7.2% |

Source: City Colleges CAFRs, FY2006-FY2010.

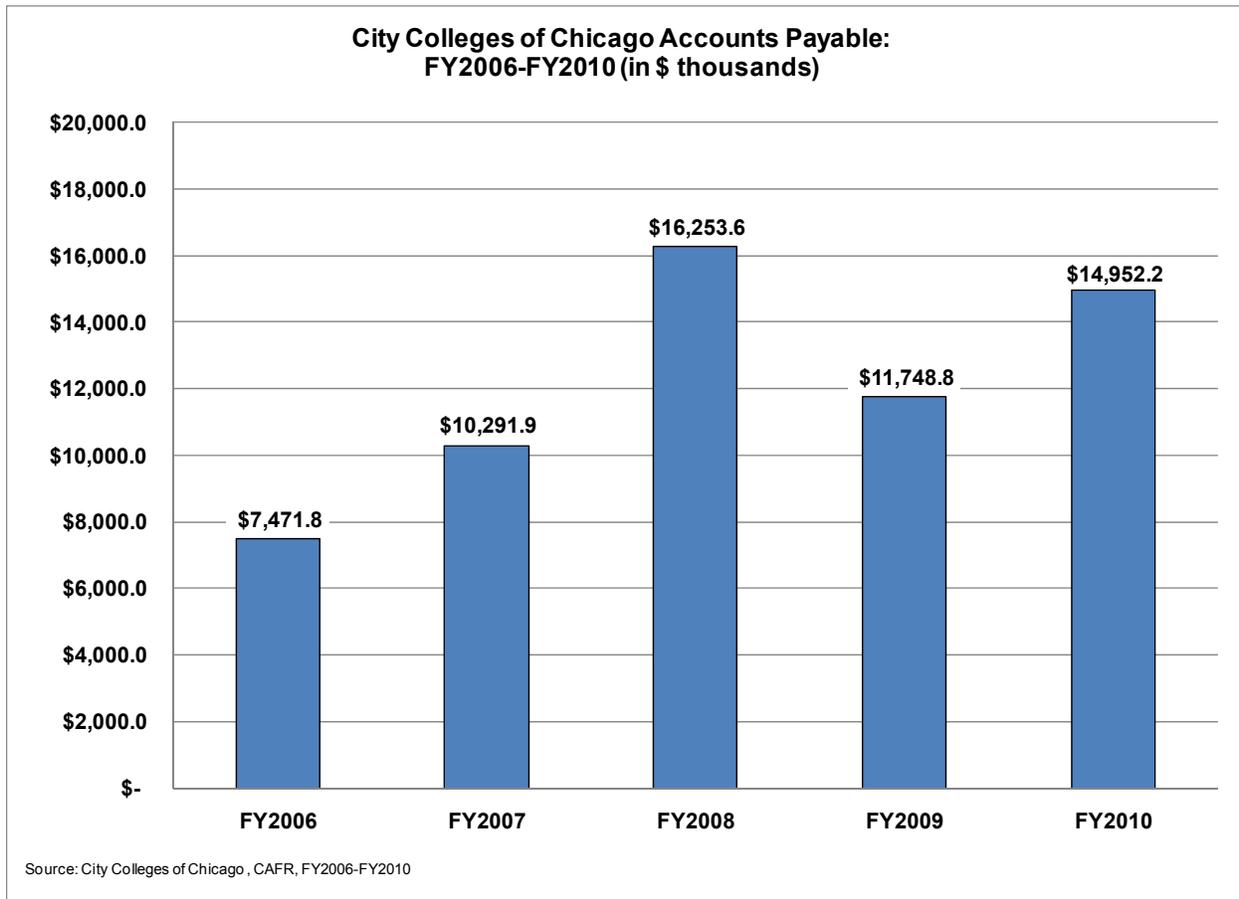
⁵⁰ Nollenberger, Karl et al., *Evaluating Financial Condition: A Handbook for Local Government* (Washington, D.C.: ICMA, 2003), pp. 77.

City Colleges of Chicago showed a positive trend by reducing its short-term liabilities compared to total operating revenue between FY2008 and FY2010 from 12.2% to 10.8%.



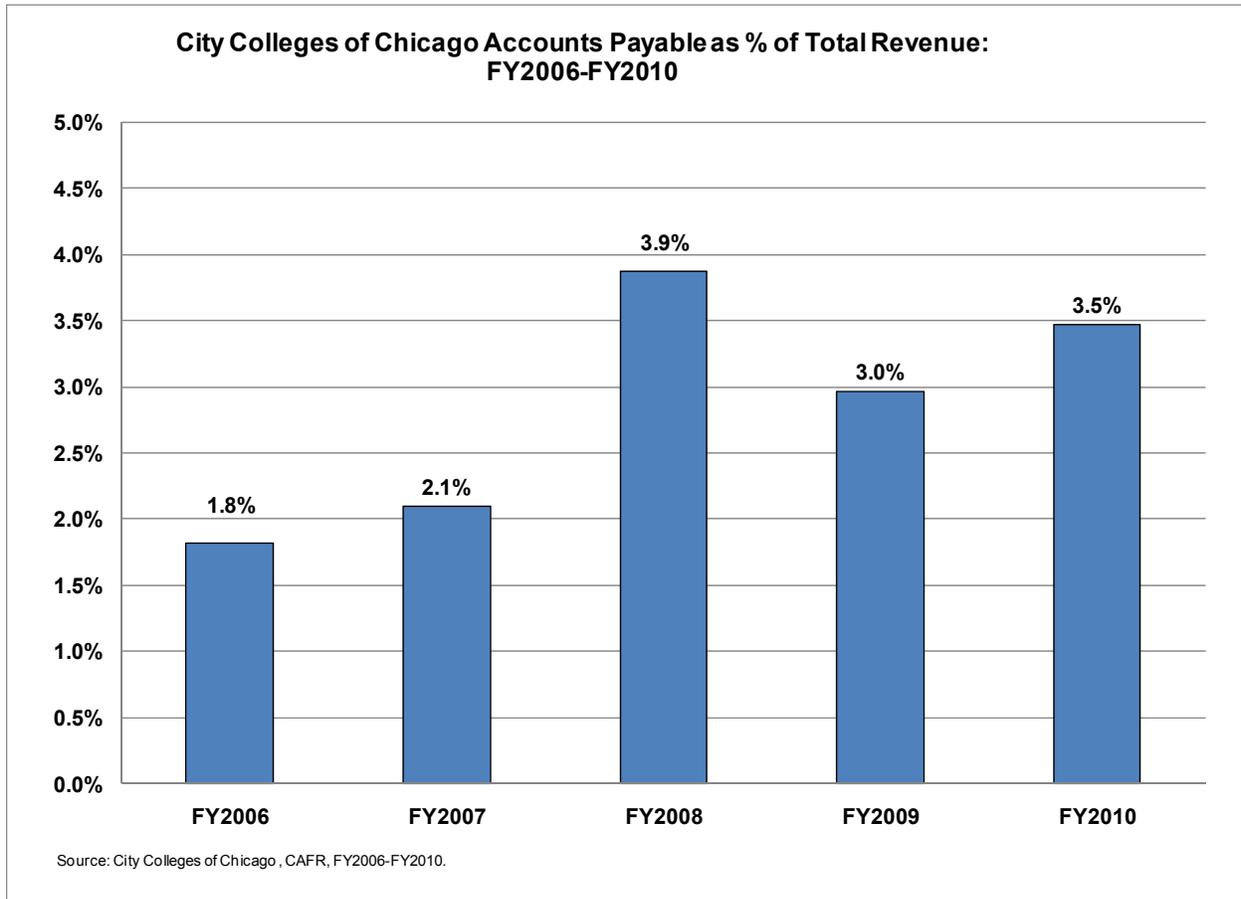
Accounts Payable

Between FY2006 and FY2010, City Colleges increased the amount of accounts payable reported from \$7.4 million to \$14.9 million. This is a 100.1%, or nearly \$7.5 million, increase. Between FY2009 and FY2010, accounts payable rose from \$11.7 million to \$14.9 million; this is due primarily to outstanding capital project invoices amounting to \$3.6 million in FY2010 compared to \$0.9 million at the end of FY2009.⁵¹ Accounts payable did decline from \$16.2 million in FY2008 to \$14.9 million two years later.



⁵¹ Information provided by City Colleges Finance Office, July 7, 2011.

The next exhibit shows the ratio of accounts payable to operating revenues. Steady increases in this ratio can be a warning sign of fiscal distress. The ratio has increased from 1.8% to 3.5% in the 5-year period. However, it declined from 3.9% in FY2008, and the overall percentage of accounts payable per operating revenues in each year reviewed is relatively small. At this time, there is little cause for concern.



Long-Term Liabilities

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

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

- **Accrued Compensated Absences:** liabilities owed for employees' time off with pay for vacations, holidays, and sick days.
- **Sick Leave Benefits:** Upon the retirement, permanent disability or death of a full-time permanent employee, City Colleges pays over a three- to five-year period an amount equal to a percentage of the employee's unused sick days as a termination benefit.

Eligible employees include administrative employees and certain union-represented employees who have served for 10 years and who are eligible for a pension under the State Universities Retirement System at age 55.⁵²

- Net Other Post-Employment Benefit (OPEB) liabilities: The cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan.

Long-term liabilities for City Colleges rose by 11.6%, or \$4.6 million, between FY2009 and FY2010. The largest increase was for other post-employment benefits, which consist of health care and life insurance benefits.⁵³ OPEB liabilities rose by 28.9%, from \$17.3 million to \$22.3 million in the two years analyzed. The liability for sick leave benefits fell by 2.9%.

| City Colleges Long Term Liabilities: FY2009-FY2010 | | | | |
|-----------------------------------------------------------|------------------|------------------|-----------------|--------------|
| (in \$ thousands) | | | | |
| Liability | FY2009 | FY2010 | \$ CHG | % CHG |
| Accrued Compensation Absences | \$ 2,682 | \$ 2,904 | \$ 222 | 8.3% |
| Sick Leave Benefits | \$ 20,108 | \$ 19,534 | \$ (574) | -2.9% |
| Other Post-Employment Benefits | \$ 17,304 | \$ 22,308 | \$ 5,004 | 28.9% |
| Total | \$ 40,094 | \$ 44,746 | \$ 4,652 | 11.6% |

Source: City Colleges of Chicago Comprehensive Annual Financial Reports.

Over the five-year period between FY2006 and FY2010, total long-term liabilities decreased by 27.9%, falling from \$62.0 million to \$44.7 million. Much of the decrease was due to the transfer of City Colleges' long-term lease obligations to the City of Chicago.

| City Colleges Long Term Liabilities: FY2006-FY2010 | | | | | | | |
|-----------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|---------------|
| (in \$ thousands) | | | | | | | |
| Liability | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | \$ CHG | % CHG |
| Accrued Compensation Absences | \$ 2,504 | \$ 2,427 | \$ 2,547 | \$ 2,682 | \$ 2,904 | \$ 401 | 16.0% |
| Sick Leave Benefits | \$ 27,320 | \$ 17,539 | \$ 17,955 | \$ 20,108 | \$ 19,534 | \$ (7,786) | -28.5% |
| Other Post-Employment Benefits | \$ 4,430 | \$ 9,659 | \$ 13,119 | \$ 17,304 | \$ 22,308 | \$ 17,878 | 403.6% |
| Lease Obligations | \$ 27,776 | \$ 31,695 | \$ - | \$ - | \$ - | \$ (27,776) | -100.0% |
| Total | \$ 62,029 | \$ 61,320 | \$ 33,621 | \$ 40,094 | \$ 44,746 | \$ (17,283) | -27.9% |

Source: City Colleges of Chicago Comprehensive Annual Financial Reports.

⁵² City Colleges of Chicago FY2010 Comprehensive Annual Financial Report, p. 37.

⁵³ City Colleges of Chicago FY2010 Comprehensive Annual Financial Report, p. 40.

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 to pay the annual debt service on behalf of the City Colleges of Chicago. The following chart shows the total levied for debt service since 2007.

| Property Taxes Levied By The City of Chicago To Pay City Colleges of Chicago Capital Purpose Debt Service (in \$ Thousands) | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| Bond Series | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |
| Series 1999 Debt Service | \$ 32,668.2 | \$32,669.7 | \$32,668.1 | \$ 32,668.1 | \$32,667.7 |
| Series 2007 Debt Service | ---- | \$ 2,499.1 | \$ 2,495.5 | \$ 2,495.5 | \$ 2,495.6 |
| Total Debt Service | \$ 32,668.2 | \$35,168.8 | \$35,163.6 | \$ 35,163.6 | \$35,163.3 |

Source: City Colleges of Chicago Tentative Annual Operating Budget FY2012, p. 41.

City Colleges of Chicago has a legal debt limit of 2.875% of its total equalized assessed valuation. The equalized assessed valuation last reported as of FY2009 totaled \$84.5 billion making the legal debt limit \$2.4 billion.⁵⁴ City Colleges currently holds no debt in its name.

PENSION

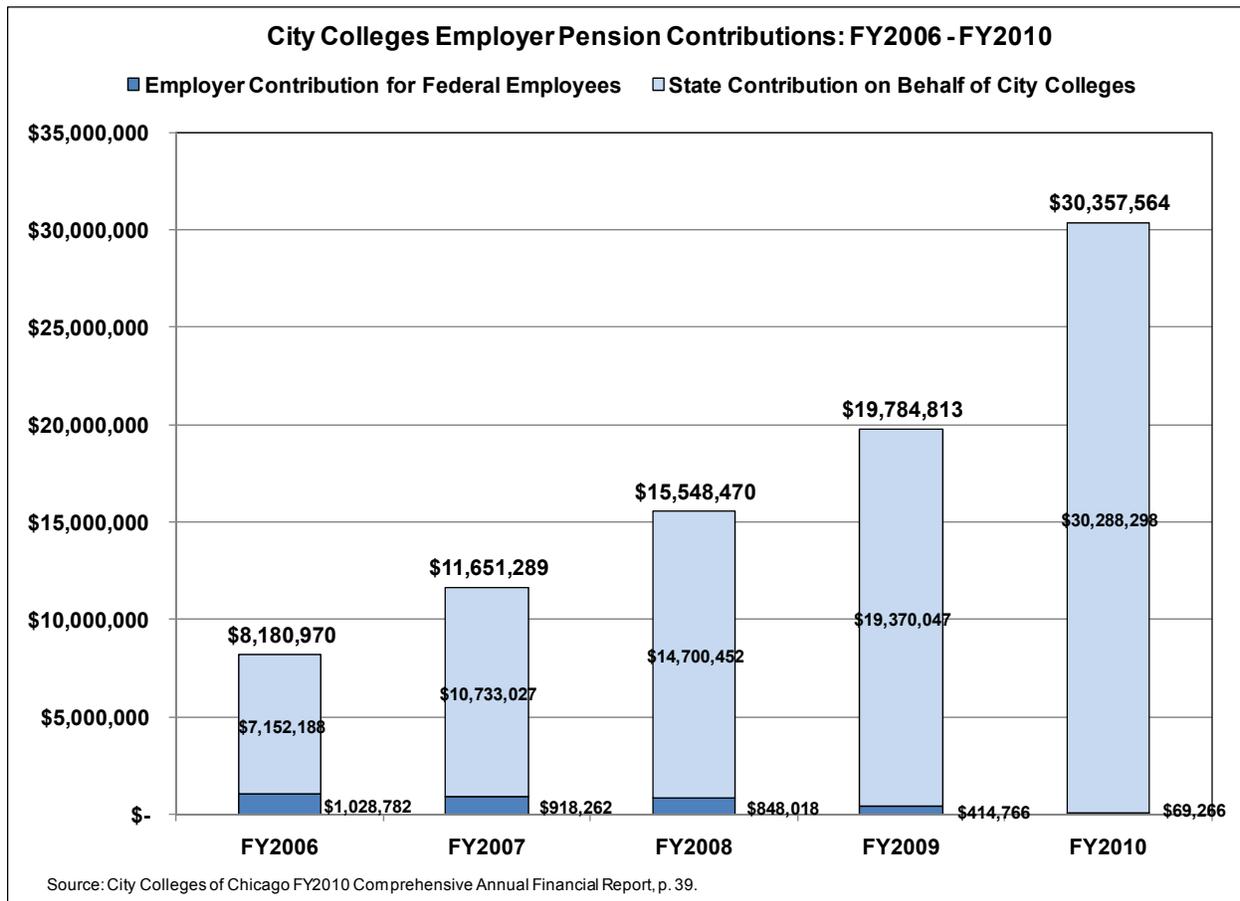
The majority of City Colleges employees are enrolled in the State Universities Retirement System (SURS) of Illinois, a multi-employer defined benefit plan to which the State of Illinois makes the vast majority of employer contributions. Currently, there are 5,238 active employees who are enrolled in the SURS retirement plan. All full-time faculty and staff contribute to SURS, except temporary workers who contribute to Social Security. There are also 469 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.⁵⁵

SURS members contribute 8.0% of their annual covered salary to the pension fund. In FY2010 the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at the actuarially determined rate of 18.6% of covered payroll. City Colleges makes the employer contribution for federally-funded grant positions out of those grant funds.

⁵⁴City Colleges FY2012 Tentative Annual Operating Budget, p. 97.

⁵⁵ Information provided by City Colleges Finance Office, July 7, 2011.

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 FY2010 were \$30.3 million, a 54.6% increase over FY2009. Contributions for positions funded through federal grants totaled only \$69,266, down from \$414,766 in FY2009.⁵⁶ The total employer contribution grew by 271.1% over the five-year period, from \$8.2 million to \$30.4 million.



OTHER POST EMPLOYMENT BENEFITS (OPEB)

City Colleges began reporting information about other post employment benefits (OPEB) in its FY2006 CAFR as required by GASB Statement 45. OPEB includes health and life insurance for retirees and their spouses. The District pays for approximately 90% of the medical and life insurance premiums for most retirees. The contribution percentages are negotiated between the District and retirees and can be amended by City Colleges through its personnel manual and union contracts.⁵⁷

⁵⁶ City Colleges FY2010 Comprehensive Annual Financial Report, p. 39.

⁵⁷ City Colleges FY2010 Comprehensive Annual Financial Report, p. 40.

Between FY2006 and FY2010 the number of retirees and beneficiaries receiving benefits rose from 658 to 735 before falling again to 614 in FY2010.

| City Colleges Other Post Employment Benefit Plan: Active Employees and Current Beneficiaries: FY2006-FY2010 | | | | | |
|------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|--------|--------|
| Members | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
| Active Employees (vested) | 1,569 | 1,637 | 1,669 | 1,686 | 1,668 |
| Current Beneficiaries | 658 | 673 | 735 | 703 | 614 |

Source: City Colleges of Chicago FY2006 Comprehensive Annual Financial Report, p. 46; FY2008 Comprehensive Annual Financial Report, p. 42; FY2010 Comprehensive Annual Financial Report, p. 40.

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.⁵⁸ City Colleges had \$18.1 million in investments designated for its OPEB obligation in FY2010 and \$10.0 million in FY2009.⁵⁹ If City Colleges is not permitted to join the State of Illinois' College Insurance Program for downstate community college retirees, it may use the designated funds to establish an irrevocable OPEB trust.⁶⁰

The FY2010 pay-as-you-go employer contribution of \$6.3 million is budgeted as part of the District's employee health insurance costs.⁶¹ 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 FY2006 to FY2010.⁶² The actuarial assumptions used in the calculation included a 4.5% discount rate, 4.0% projected salary increases and an annual healthcare cost trend rate of 9.0%, which is assumed to decline to a 5.0% rate by 2017.⁶³ City Colleges' Net OPEB Obligation has grown over the five-year period because its annual payments have equaled only 55% to 65% of the annual OPEB cost.

| City Colleges Other Post Employment Benefits: Annual OPEB Cost and Net Obligation FY2006-FY2010 | | | | | |
|------------------------------------------------------------------------------------------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | FY2006* | FY2007 | FY2008 | FY2009 | FY2010 |
| Annual OPEB Cost | \$ 12,851,308 | \$ 12,792,179 | \$ 9,958,539 | \$ 10,361,000 | \$ 11,294,194 |
| Employer Contributions | \$ 8,421,684 | \$ 7,562,710 | \$ 6,498,620 | \$ 6,175,497 | \$ 6,290,403 |
| Increase in Net OPEB Obligation | \$ 4,429,624 | \$ 5,229,469 | \$ 3,459,919 | \$ 4,185,503 | \$ 5,003,791 |
| % of Annual OPEB Cost Contributed | 65.5% | 59.1% | 65.3% | 59.6% | 55.7% |
| Net OPEB Obligation (End of Year) | \$ 4,429,624 | \$ 9,659,093 | \$ 13,119,012 | \$ 17,304,515 | \$ 22,308,306 |

*FY2006 is the first year of GASB 45 implementation so it the starting point of the Net OPEB Obligation.

Source: City Colleges of Chicago FY2008 Comprehensive Annual Financial Report, p. 43; FY2010 Comprehensive Annual Financial Report, p. 41.

⁵⁸ Information provided by City Colleges finance office, June 30, 2011.

⁵⁹ City Colleges of Chicago, Comprehensive Annual Financial Report for the Year Ended June 30, 2010, p. 42.

⁶⁰ Information provided by City Colleges finance office, June 30, 2011.

⁶¹ Information provided by City Colleges finance office, August 3, 2010.

⁶² 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.

⁶³ City Colleges of Chicago, Comprehensive Annual Financial Report for the Year Ended June 30, 2010, p. 42.

The next exhibit shows the Unfunded Actuarial Accrued Liability (UAAL) of the City Colleges' OPEB plan. The actuarial value of assets is not shown as the District does not pre-fund its OPEB obligation through an irrevocable trust. The UAAL was \$117.1 million in FY2010, down from \$121.6 million the prior year. Since FY2006, the UAAL as a percent of covered payroll has declined from 131.1% to 113.8%, which is a positive trend.

| Unfunded Actuarial Accrued Liability of the City Colleges OPEB Plan: | | | | | |
|-----------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| FY2006-FY2010 | | | | | |
| | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 114,673,652 | \$ 108,953,481 | \$ 113,011,808 | \$ 121,654,154 | \$ 117,079,887 |
| Covered Payroll (active plan members) | \$ 87,441,937 | \$ 92,958,918 | \$ 95,665,186 | \$ 101,030,184 | \$ 102,896,841 |
| UAAL as a % of Covered Payroll | 131.1% | 117.2% | 118.1% | 120.4% | 113.8% |

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 FY2006 Comprehensive Annual Financial Report, p. 47; FY2008 Comprehensive Annual Financial Report, p. 44; FY2010 Comprehensive Annual Financial Report, p. 42.