



**THE CITY COLLEGES OF CHICAGO  
FY2007 TENTATIVE BUDGET**

**Analysis and Recommendations**

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The Civic Federation  
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## EXECUTIVE SUMMARY

Illinois Community College District 508, the City Colleges of Chicago (CCC), proposes a \$476.1 million total budget for FY2007. This is an increase of 0.4%. The budget is balanced through a combination of a drawdown of fund balance, State funding and a property tax increase.

The Civic Federation **supports** the City Colleges' FY2007 Budget. Building on efforts begun in previous years, the City Colleges is making impressive strides in implementing business process reforms that will enable it to better manage its resources. These reforms have allowed the colleges to contain employee benefit costs, implement a multi-year strategic planning process, and develop a first-ever, five-year Capital Plan. This year, the District has also exercised fiscal restraint, increasing its budget for all funds by only 0.4%, from \$474.2 million to \$476.1 million. We commend the leadership of the City Colleges District for taking seriously its responsibility to improve the long-term financial management of Illinois's largest community college district. In future years this strategy will help the District craft rational, thoughtful responses to long-term structural issues like declining enrollment. This City Colleges' approach to financial management contrasts sharply with the approach of too many other local governments, which focus on short-term fixes and choose to resist the public disclosure of essential planning information under an umbrella of political expediency

The Civic Federation also applauds the City Colleges for the design and implementation of its Dawson Technical Institute, a program created to open the construction and building trades to minority workers. Bringing the economic opportunities afforded by employment in construction and building to communities that have historically been excluded from them would be an important service to these communities and to the city of Chicago.

While the Civic Federation is pleased with the City Colleges' emphasis on planning, we **strongly urge** the District to allow more time for public review and comment on the budget. We also think that the District should consider waiting to issue a final budget rather than first releasing an incomplete, tentative budget and then issuing the final document. Having confidence that, at the time of budget's release, the information available was both complete and reliable would allow for a more informed, thoughtful public review and commentary. This is the practice for most other local governments and we see no reason that the City Colleges should not follow their example.

The Civic Federation offers the following **key findings** on the CCC FY2006 Recommended Budget:

- The City Colleges FY2007 budget for all funds is projected to total approximately \$476.1 million, an increase of 0.4% or \$1.9 million over the FY2006 budget.
- The operating budget will total approximately \$370.3 million, a 3.6%, \$12.9 million increase from the previous fiscal year.

- The City Colleges District will receive a net increase of \$1.2 million in state funds for unrestricted purposes. This includes a \$15.3 million grant to compensate the District as discussions about changing the state community college equalization formula continue. Overall, however, state funding will decrease by \$4.6 million or 4.8% from FY2006 funding levels.
- The property tax levy will increase by 3.4% on properties covered by the tax cap law and approximately 1.0% on tax cap exempt new construction. The total new gross levy will be approximately \$141.9 million. However, that amount may be scaled back when the levy is extended by the Cook County Clerk, who will apply all appropriate rate limitations and the tax cap.
- Employee benefits costs are expected to **decrease** by 17.1%, from \$39.8 million to \$33.0 million, as a result of increases in required co-payments, higher annual out-of-pocket expenses, lower health care service fee coverage for physician and hospital services, and increases in co-payments for prescription drug benefits.
- Enrollment in the City Colleges dropped by 7.8% between FY2005 and FY2006, the last year for which complete data are available. Enrollment fell from 45,043 to 41,531 full time equivalent students.

The Civic Federation is **encouraged** by several elements of the proposed budget:

- The District will exercise fiscal restraint in FY2007, increasing its budget by only 0.4%.
- A substantial reduction in employee benefit costs will be achieved in FY2007 for the second year in a row. Reducing employee benefit costs at a time when many governments are wrestling with double-digit increases in benefit spending is an important achievement.
- The City Colleges have developed a first-ever comprehensive five-year Capital Plan that incorporates stakeholder input. This document will be a good blueprint for helping the District thoughtfully plan for its future infrastructure needs, given the Colleges' resource limitations.
- This fiscal year, the District will expand the capacity of its Annual Program and Service Analysis (APSA) program to identify and quantify program costs. This information can then be used to pinpoint opportunities for cost reduction, to improve management processes, and to increase the efficiency of service delivery. We look forward to the implementation of this financial management component of the APSA program in FY2008.

The Civic Federation has several **concerns** about the FY2007 City Colleges budget:

- The CCC has once again increased its property tax levy to the maximum amount permitted by the tax cap law.
- The CCC has allowed an unreasonably short amount of time for public review and comment, releasing its budget only five working days before its one day of scheduled public testimony.
- The problem of having little time to review the CCC's budget is exacerbated by the District's practice of releasing a tentative budget, compelling the public to comment upon incomplete information, and then releasing a final budget at a later date with updated information.

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

- The public should be given a minimum of **ten working days** to review the budget before public hearings begin.
- The City Colleges should release a final budget for public review rather than an incomplete tentative budget followed by a final budget.
- The City Colleges should build upon the steps they have taken to develop and publish revenue and expenditure projections in the Budget Book, and should develop a formal, **long-term financial plan** that would be shared with and/or reviewed by key policymakers and stakeholders.
- Once again, the Civic Federation strongly urges 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** so that this formula provides fair and equitable funding to the City Colleges.

## **OVERVIEW OF ANALYSIS**

The Civic Federation recently concluded an analysis of financial issues related to the City Colleges of Chicago (CCC) Recommended FY2007 \$476.1 million budget. Based upon our review of the budget, we offer the following comments. The full text of our analysis follows this summary and is also available on our web site at [www.civiced.org](http://www.civiced.org).

The Civic Federation **supports** the City Colleges' FY2007 Budget. Building on efforts begun in previous years, the City Colleges is making impressive strides in implementing business process reforms that will enable it to better manage its resources. These reforms have allowed the colleges to contain employee benefit costs, implement a multi-year strategic planning process, and develop a first-ever, five-year Capital Plan. This year, the District has also exercised fiscal restraint, increasing its budget for all funds by only 0.4%, from \$474.2 million to \$476.1 million. We commend the leadership of the City Colleges District for taking seriously its responsibility to improve the long-term financial management of Illinois's largest community college district. In future years this strategy will help the District craft rational, thoughtful responses to long-term structural issues like declining enrollment. This City Colleges' approach to financial management contrasts sharply with the approach of many other local governments, including the Chicago Public Schools, which continues to focus on short-term fixes and defer planning for the future.

The Civic Federation also applauds the City Colleges for the design and implementation of its Dawson Technical Institute, a program created to open the construction and building trades to minority workers. Bringing the economic opportunities afforded by employment in construction and building to communities that have historically been excluded from them would be an important service to these communities and to the city of Chicago.

While the Civic Federation is pleased with the City Colleges' emphasis on planning, we call on the District to allow at least 10 days for public review and comment on the budget before it is finalized. We urge the District to issue a final budget for public review rather than first releasing an incomplete tentative budget and then issuing the final document at the time of the Board's vote on the budget. Having confidence that the information available was both complete and reliable at the time of budget's release would allow for a more informed, thoughtful public review and commentary. This is the practice for most other local governments and we see no reason that the City Colleges should not follow their example.

### **Issues that The Civic Federation Supports**

The Civic Federation supports many of the financial management initiatives in the FY2007 budget aimed at controlling costs and improving the District's planning capabilities.

#### Exercising Fiscal Restraint.

The City Colleges has proposed a FY2007 budget that increases expenditures over FY2006 by only a very small amount. The small rate of increase is primarily due to a reduction in debt service appropriations. FY2007's 0.4% budget increase contrasts favorably with the 11.2% increase last year. The Civic Federation applauds the District's decision to exercise spending restraint this year.

Budgeted appropriations for the City Colleges will be \$476.1 million, an increase of not more than 0.4% over FY2006 appropriations of \$474.2. This is far below the rate of inflation and one of the lowest rates of increase of any recent government budget. Operating funds will increase by only 3.6%, or from \$357.3 million to \$370.4 million.

#### Reducing Employee Benefit Costs

The Civic Federation **commends** the City Colleges financial management team for projecting a substantial reduction in employee benefit costs for the second year in a row. Reducing employee benefit costs at a time when many governments face double-digit benefit cost increases is an important achievement.

Overall, the City Colleges reports that it will reduce benefit appropriations by 17.1%, from \$39.7 million to \$33.0 million. These continuing reductions are due to increases in required co-payments, higher annual out-of-pocket expenses, lower health care service fee coverage for physician and hospital services, and increases in co-payments for prescription drug benefits.

#### Developing a Five-Year Capital Plan.

The District has completed a first-ever, multi-year Comprehensive Capital Plan for FY2007-FY2011. The Plan includes a comprehensive condition assessment of existing

assets by outside experts, and it prioritizes District projects. Development of the Plan included input from key stakeholders, including college administrators, staff, and students.

The Civic Federation **applauds** the City Colleges for this Capital Plan. Undertaking a comprehensive, multi-year capital planning process and producing a formal, publicly disclosed Plan is essential for a government to effectively prioritize projects and clearly identify funding needs and sources. The District now joins the City of Chicago and the Metropolitan Water Reclamation District in producing a good blueprint for its future infrastructure maintenance, rehabilitation, and construction plans. It is our profound wish that other local governments such as the Chicago Public Schools would follow suit. In future years, we encourage the District to integrate the Capital Plan into a comprehensive, formal, long-term financial plan.

#### Continuing Strategic Planning Process

The Civic Federation looks forward to the implementation of the financial management component of the Colleges' Annual Program and Service Analysis (APSA) in FY2008. We are encouraged that the City Colleges is committed to using strategic planning process to improve its financial management over time.

The City Colleges continues to make progress on its APSA program. APSA is a process used to systematically evaluate the quality and effectiveness of all programs. It is our understanding that by FY2008, the District will be able to use APSA to identify and quantify costs for its programs. That information can be used to pinpoint opportunities for cost reduction, to improve management processes, and to increase the efficiency of service delivery. The City Colleges will then be able to provide public proof of actual budget savings and management efficiencies. As we have stated in previous analyses, documenting efficiencies is a critical step in securing public confidence that the Chicago community college system is being operated efficiently and effectively.

#### **Issues of Concern to The Civic Federation**

The Civic Federation has several **concerns** about certain elements of the FY2007 budget:

##### Property Tax Levy Increased to the Maximum Amount Allowed Again

In FY2007 the City Colleges of Chicago once again proposes to increase the property tax levy by the maximum amount permitted by the tax cap law, or 3.4%. The District expects to increase the operating fund levy by 3.4%, or to \$112.2 million, in tax year 2006 (to be utilized in FY2008). This decision comes just weeks after the Chicago Public Schools announced that it will increase property taxes by the maximum amount allowed. Undoubtedly other governments will follow in the fall. The additional taxes owed to the City Colleges by the typical homeowner may be relatively small, but taxpayers pay a composite property tax bill that aggregates the requests of all taxing bodies in a

jurisdiction. These increases by individual governments combine to substantially increase the property tax burden borne by homeowners and businesses in the City of Chicago.

#### Lack of Time for Public Comment

This year, the City Colleges gave the public five working days to read and analyze its complex, \$476 million budget. This short time frame is clearly inadequate for a thoughtful review of the budget of the State's largest community college district.

The problem of having little time to review the CCC budget is compounded by the tentative nature of the budget document. Frequent changes are made to the District's revenue estimates and appropriation projections even during the brief review period. The District's practice of releasing a tentative, changeable budget makes it difficult to provide informed and relevant commentary.

The Civic Federation understands that a budget's revenue and appropriations estimates will very likely change over the course of a fiscal year. Given that budgets will only ever be forecasts, the District should wait to release its budget document until it believes the data it publishes are reasonable and reliable estimates rather than publish a document that appears to the public as a moving target.

#### **Civic Federation Recommendations**

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

#### Allow at Least Ten Working Days for Public Review and Comment

At a minimum, **ten working days** should be allowed for public review before public testimony is heard. Citizens can only make fully informed judgments about a large and complex budget if they are given sufficient time to do so.

#### Release a Final Budget Rather than Both a Tentative and Final Budget

The City Colleges should wait to release a **final budget** for public review rather than a tentative budget which is incomplete and subject to change. A Final Budget would incorporate all relevant data for all funds, including State funding sources. It would be based on the best available data. The current practice of issuing a tentative budget that gives a fairly complete picture of District operating funds followed by a final budget that presents more reliable estimates for all funds is confusing and a significant departure from the budget practices of virtually every other government. We understand the importance of completing a budget document by a target date, but the rush to meet such an objective should never compromise completeness and accuracy.

#### Capital Plan Improvements

In order to improve the capital planning process, we recommend that the District consider providing information about capital spending's impact on the annual operating budget for each college or each project. We also urge the District to hold a public hearing at which the public could comment upon the Plan.

#### Implement a Formal Long Term Planning Process

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

#### Budget Format Recommendations

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

- If there is a gap between revenues and expenditures, the budget should include an easily understood description of the reasons for this gap and the steps taken to eliminate it.
- The budget should include a discussion of appropriations and expenditures by program in addition to the current discussion focusing on appropriations by object.
- The budget should include a discussion of the District's gross property tax levy for all funds and a presentation of five-year trends for the gross property tax levy.
- The budget should contain comparable five-year personnel trends when it becomes possible to compile that data. There should also be some narrative that discusses the personnel changes and the reasons for those changes.

#### The State of Illinois Must Change the Community College Equalization Formula

The Civic Federation once again reiterates its **strong support** for the City Colleges' efforts to effect a recalculation of the State community college equalization formula. We urge the Governor and the Illinois Community College Board to recognize the contributions of Illinois's largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to the City Colleges.

#### **FY2007 BUDGET HIGHLIGHTS**

The City Colleges FY2007 budget is projected to total approximately \$476.1 million, an increase of 0.4% or \$1.9 million from FY2006. The operating budget, including all funds but capital and debt service, will total approximately \$370.4 million. Combined, capital and debt service fund appropriations will be approximately \$105.8 million.

### **Revenue Highlights**

- The property tax levy will be increased to the maximum amount allowed by the tax cap law, or 3.4%, for the capped operating funds. The net amount the City Colleges expects to receive in property tax dollars in FY2007 will be \$132.1 million, up 1.1% from the FY2006 amount of \$130.6 million.
- The State of Illinois will provide \$1.2 million in new revenues for general purposes this year, an increase from \$54.9 million to \$56.1 million. This includes a \$15.3 million grant designed to compensate the Colleges for a lack of State Equalization funding.
- The City Colleges will appropriate \$81.5 million of its accumulated fund balances in FY2007. The majority of these appropriations, \$70.0 million, will come from the Colleges' capital fund. \$6.8 million will be drawn from the operation and maintenance fund, \$2.4 million from the liability, protection, and settlement fund, and \$2.7 from the debt service fund.
- Tuition will increase from \$67 to \$72 per credit hour. Revenue from tuition and fees is projected to increase in FY2007 by \$2.0 million or 3.0%.<sup>1</sup>

### **Appropriation Highlights**

- Employee salary costs are expected to increase by 4.1%, from \$168.7 million to \$175.6 million.
- Employee benefits are anticipated decrease by 17.1%, from \$39.8 million to \$33.0 million.
- Contractual services costs will increase by 32.3%, an \$11.6 million increase from \$35.8 million to \$47.4 million.
- Capital outlay appropriations from operating funds are expected to decrease by 17.6%. This is a \$0.9 million decline from \$5.5 million to \$4.6 million.

### **ACKNOWLEDGMENTS**

We would like to express our sincere thanks and appreciation to Chancellor Wayne Watson, Chief Financial Officer Kenneth Gotsch, Acting Budget Director J.R. Dempsey and their staffs for their hard work in preparing this budget and their willingness to provide the Civic Federation with information, a briefing on the budget as well as answers to many of our budget questions.

### **REVENUES**

The City Colleges will receive a total \$476.2 million in resources for all funds in FY2007. The exhibit below shows the breakdown of those resources. Approximately \$81.6 million from the City Colleges' fund balance will be appropriated in addition to the \$394.5 million that City Colleges will receive from local, state and federal sources. The single largest revenue source will be property tax revenues which will provide CCC with

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<sup>1</sup> Communication from the City Colleges Budget Office

\$132.1 million, 27.7% of total revenues. The State of Illinois will provide 19.0% of all resources or \$90.6 million. State and Federal intergovernmental revenues combined will provide 36.2% of the FY2007 budget, or \$172.5 million.

<b>CITY COLLEGES RESOURCES: FY2007 BUDGET</b>		
<b>Sources of Revenues</b>	<b>FY2007</b>	<b>% of Total</b>
Estimated Fund Balance	\$ 116,403,000	
Fund Balance to be Reserved	\$ (34,735,709)	
<b>Fund Balance to be Appropriated</b>	<b>\$ 81,667,291</b>	<b>17.1%</b>
Property Tax Revenues (Gross)	\$ 140,121,296	29.4%
Less Est. Loss and Cost of Collection	\$ (4,904,245)	-1.0%
Less Back Taxes	\$ (3,152,729)	-0.7%
<b>Subtotal Property Taxes (Net)</b>	<b>\$ 132,064,322</b>	<b>27.7%</b>
Tuition and Fees	\$ 70,728,065	14.9%
Auxiliary/Enterprise	\$ 7,242,825	1.5%
Investment Revenue	\$ 4,300,000	0.9%
Local Government Grants	\$ 5,000,000	1.0%
<b>Total Local Government</b>	<b>\$ 219,335,212</b>	<b>46.1%</b>
		0.0%
Personal Property Replacement Tax	\$ 12,800,000	2.7%
State Government	\$ 90,585,647	19.0%
Federal Government	\$ 69,146,000	14.5%
<b>Subtotal State &amp; Federal Sources</b>	<b>\$ 172,531,647</b>	<b>36.2%</b>
		0.0%
Other Sources	\$ 2,709,853	0.6%
<b>GRAND TOTAL</b>	<b>\$ 476,244,003</b>	<b>100.0%</b>

Source: City Colleges Budget Office for FY2007

City Colleges total FY2007 resources of \$476.2 million will be \$2.0 million or 0.4% greater than total FY2006 resources. City Colleges will appropriate \$81.6 million of its fund balance in FY2007, almost ten times the \$7.8 million in fund balance resources that it appropriated in FY2006. Local government resources will increase slightly, by \$7.9 million or 3.8%, in FY2007, while state and federal resources will essentially be held flat. "Other Sources" will see a 96.7% decline, from \$82.6 million in FY2006 to \$2.7 million in FY2007. Over \$77.4 million of the revenue listed as "Other Sources" in FY2006 was from a 1999 G.O. bond issue for capital projects.

<b>CITY COLLEGES RESOURCES: FY2006 &amp; FY2007</b>				
<b>Sources of Revenues</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ Change</b>	<b>% Change</b>
Estimated Fund Balance	\$ 76,930,015	\$ 116,403,000	\$ 39,472,985	51.3%
Fund Balance to be Reserved	\$ (69,184,733)	\$ (34,735,709)	\$ 34,449,024	-49.8%
<b>Fund Balance to be Appropriated</b>	<b>\$ 7,745,282</b>	<b>\$ 81,667,291</b>	<b>\$ 73,922,009</b>	<b>954.4%</b>
Property Tax Revenues (Gross)	\$ 138,641,447	\$ 140,121,296	\$ 1,479,849	1.1%
Less Est. Loss and Cost of Collection	\$ (4,852,451)	\$ (4,904,245)	\$ (51,794)	1.1%
Less Back Taxes	\$ (3,119,433)	\$ (3,152,729)	\$ (33,296)	1.1%
<b>Subtotal Property Taxes (Net)</b>	<b>\$ 130,669,563</b>	<b>\$ 132,064,322</b>	<b>\$ 1,394,759</b>	<b>1.1%</b>
Local Government Grants	\$ 3,292,000	\$ 5,000,000	\$ 1,708,000	51.9%
Tuition and Fees	\$ 68,686,427	\$ 70,728,065	\$ 2,041,638	3.0%
Auxiliary/Enterprise	\$ 6,195,111	\$ 7,242,825	\$ 1,047,714	16.9%
Investment Revenue	\$ 2,536,000	\$ 4,300,000	\$ 1,764,000	69.6%
<b>Total Local Government</b>	<b>\$ 211,379,101</b>	<b>\$ 219,335,212</b>	<b>\$ 7,956,111</b>	<b>3.8%</b>
Personal Property Replacement Tax	\$ 10,800,000	\$ 12,800,000	\$ 2,000,000	18.5%
State Government	\$ 90,463,147	\$ 90,585,647	\$ 122,500	0.1%
Federal Government	\$ 71,197,000	\$ 69,146,000	\$ (2,051,000)	-2.9%
<b>Subtotal State &amp; Federal Sources</b>	<b>\$ 172,460,147</b>	<b>\$ 172,531,647</b>	<b>\$ 71,500</b>	<b>0.0%</b>
Other Sources	\$ 82,600,530	\$ 2,709,853	\$ (79,890,677)	-96.7%
<b>GRAND TOTAL</b>	<b>\$ 474,185,060</b>	<b>\$ 476,244,003</b>	<b>\$ 2,058,943</b>	<b>0.4%</b>

Source: City Colleges of Chicago FY2006 Budget, p. 48, and City Colleges Budget Office for FY2007

## Operating Revenues

In FY2007 Operating Funds Revenues, which includes all funds except the Operation and Maintenance Restricted Fund (capital fund) and the PBCC Rental Funds (debt service fund), are projected to increase by \$13.0 million or 3.6% over FY2006 operating revenues of \$357.4 million. Investment revenue will generate an additional \$1.8 million in FY2007, a 69.6% increase over FY2006, and auxiliary/enterprise revenue will increase by 16.9% or \$1.0 million. Local government revenues will increase by \$5.7 million or 5.5%, from \$102.9 million in FY2006 to \$108.5 million in FY2007, due to property tax increases. The fund balance appropriated as operating funds revenue will more than double in FY2007, increasing from \$3.7 million in FY2006 to approximately \$8.8 million in FY2007. Other sources revenues will fall by 47.9%, from \$5.2 million to \$2.7 million. State source revenues will increase slightly by 1.9%, federal revenues will fall by 2.9%, and tuition and fees, after seeing an 8.1% increase in FY2006 due to a tuition increase, will increase slightly in FY2007 by 3.0%.

<b>CITY COLLEGES OPERATING FUNDS REVENUES FY2006 &amp; FY2007</b>				
<b>Revenue Source</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Local Government	\$ 102,872,666	\$ 108,546,315	\$ 5,673,649	5.5%
State Government	\$ 97,009,077	\$ 98,886,647	\$ 1,877,570	1.9%
Federal Government	\$ 71,197,000	\$ 69,146,000	\$ (2,051,000)	-2.9%
Tuition and Fees	\$ 68,686,427	\$ 70,728,065	\$ 2,041,638	3.0%
Auxiliary/Enterprise	\$ 6,195,111	\$ 7,242,825	\$ 1,047,714	16.9%
Investment Revenue	\$ 2,536,000	\$ 4,300,000	\$ 1,764,000	69.6%
Other Sources	\$ 5,200,530	\$ 2,709,853	\$ (2,490,677)	-47.9%
Fund Balance Appropriated	\$ 3,664,324	\$ 8,797,441	\$ 5,133,117	140.1%
<b>TOTAL</b>	<b>\$ 357,361,135</b>	<b>\$ 370,357,146</b>	<b>\$ 12,996,011</b>	<b>3.6%</b>

Source: City Colleges Budget Office

Unrestricted fund revenues (excluding restricted grant revenues) will increase by 4.7% or \$11.3 million, from \$242.0 million to \$253.3 million. State revenues for unrestricted purposes will increase from \$54.8 million to \$56.1 million; this is a \$1.2 million increase.<sup>2</sup>

<b>CITY COLLEGES REVENUES</b>				
<b>UNRESTRICTED FUNDS: FY2006 &amp; FY2007</b>				
<b>Sources of Revenues</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Local Government	\$ 99,580,666	\$ 103,546,314	\$ 3,965,648	4.0%
State Government	\$ 54,870,147	\$ 56,085,647	\$ 1,215,500	2.2%
PPRT	\$ 6,545,930	\$ 8,300,000	\$ 1,754,070	26.8%
Federal Government	\$ 370,000	\$ 346,000	\$ (24,000)	-6.5%
Tuition and Fees	\$ 68,686,427	\$ 70,728,065	\$ 2,041,638	3.0%
Auxiliary/Enterprise	\$ 5,727,111	\$ 7,242,825	\$ 1,515,714	26.5%
Investment Revenue	\$ 1,800,000	\$ 4,300,000	\$ 2,500,000	138.9%
Other Sources	\$ 4,416,530	\$ 2,709,853	\$ (1,706,677)	-38.6%
<b>TOTAL</b>	<b>\$ 241,996,811</b>	<b>\$ 253,258,704</b>	<b>\$ 11,261,893</b>	<b>4.7%</b>

Source: City Colleges of Chicago FY2007 Budget

### Five-Year Revenue Trends: FY2003 and FY2007

Operating revenue funds are projected to have increased by 25.6% since FY2003, from \$294.9 million to \$370.4 million. Federal funding, much of which is received by the City Colleges as restricted funds, is expected to increase by 26.8%. Tuition and fees are projected to increase by 41.9%, largely because of tuition increases phased in over three years, from FY2005 to FY2007. State and local government funding will also increase, by 30.8% and 13.6% respectively. Auxiliary/enterprise revenues will decrease by 28.5%.

<b>CITY COLLEGES OPERATING FUNDS</b>				
<b>REVENUES FY2003 &amp; FY2007</b>				
<b>Revenue Source</b>	<b>FY2003</b>	<b>FY2007</b>	<b>\$ Change</b>	<b>% Change</b>
Local Government	\$ 95,538,687	\$ 108,546,315	\$ 13,007,628	13.6%
State Government	\$ 75,607,227	\$ 98,886,647	\$ 23,279,420	30.8%
Federal Government	\$ 54,538,911	\$ 69,146,000	\$ 14,607,089	26.8%
Tuition and Fees	\$ 49,833,222	\$ 70,728,065	\$ 20,894,843	41.9%
Auxiliary/Enterprise	\$ 10,130,295	\$ 7,242,825	\$ (2,887,470)	-28.5%
Investment Revenue	\$ 2,000,000	\$ 4,300,000	\$ 2,300,000	115.0%
Other Sources	\$ 2,500,741	\$ 2,709,853	\$ 209,112	8.4%
Fund Balance Appropriated	\$ 4,749,453	\$ 8,797,441	\$ 4,047,988	85.2%
<b>TOTAL</b>	<b>\$ 294,898,536</b>	<b>\$ 370,357,146</b>	<b>\$ 75,458,610</b>	<b>25.6%</b>

Sources: City Colleges FY2003 Budget, pages CCC-5 and CCC-7, and City Colleges Budget Office for FY2007

The next exhibit examines five-year trends for unrestricted funds only, that is, operating funds excluding grants. Overall, unrestricted fund revenues will increase by 20.1%, from \$210.9 million to \$253.3 million. The largest single percentage increase over the five-year period is in investment revenue, which is expected to increase by \$2.3 million or 115.0%. PPRT revenues are expected to rise by 107.5%, from \$4.0 million to \$8.3 million. In terms of dollars, though, the largest increase will come from Tuition and Fees

<sup>2</sup> Communication from the City Colleges Budget Office.

revenue, which will rise by 41.9%, from \$49.8 million to \$70.7 million. This increase is driven primarily by the FY2005, FY2006, and FY2007 tuition and fee increases. Local government (property tax) revenues will have increased by 11.4%, from \$93.0 million to \$103.5 million. The largest decrease will be in the category labeled “other sources.” Revenues in this category will drop by 42.9%, from \$4.7 million to 2.7 million.

<b>CITY COLLEGES REVENUES</b>				
<b>UNRESTRICTED FUNDS: FY2003 &amp; FY2007</b>				
	<b>FY2003</b>	<b>FY2007</b>	<b>\$ Change</b>	<b>% Change</b>
Local Government	\$ 92,972,247	\$ 103,546,314	\$ 10,574,067	11.4%
State Government	\$ 46,962,423	\$ 56,085,647	\$ 9,123,224	19.4%
PPRT	\$ 4,000,000	\$ 8,300,000	\$ 4,300,000	107.5%
Federal Government	\$ 225,000	\$ 346,000	\$ 121,000	53.8%
Tuition and Fees	\$ 49,833,222	\$ 70,728,065	\$ 20,894,843	41.9%
Auxiliary/Enterprise	\$ 10,130,295	\$ 7,242,825	\$ (2,887,470)	-28.5%
Investment Revenue	\$ 2,000,000	\$ 4,300,000	\$ 2,300,000	115.0%
Other Sources	\$ 4,749,453	\$ 2,709,853	\$ (2,039,600)	-42.9%
<b>TOTAL</b>	<b>\$ 210,872,640</b>	<b>\$ 253,258,704</b>	<b>\$ 42,386,064</b>	<b>20.1%</b>

Source: City Colleges of Chicago FY2003 and City Colleges Budget Office for FY2007

### **Tuition Rates Increase to \$72 per Credit Hour in FY2007**

The City Colleges approved a 3-year staggered tuition increase in 2004. That year tuition increased from \$52 to \$62 per credit hour. It increased to \$67 per credit hour in 2005, and it increased to \$72 per credit hour beginning in the summer of 2006. Despite tuition increases, City Colleges still has a relatively inexpensive tuition per credit hour when compared to the other regional community colleges. The exhibit below shows that comparison, based on Summer 2006 tuition charges.

<b>SUMMER 2006 BASIC CREDIT HOUR TUITION FOR DISTRICT RESIDENTS</b>	
<b>COLLEGE</b>	<b>TUITION</b>
College of DuPage (Glen Ellyn)	\$ 96.00
South Suburban College	\$ 87.00
Elgin Community College (Elgin)	\$ 84.00
Harper College (Palatine)	\$ 81.00
Prairie State College (Chicago Heights)	\$ 76.00
Oakton Community College (DesPlaines)	\$ 75.00
<b>City Colleges of Chicago</b>	<b>\$ 72.00</b>
College of Lake County*	\$ 62.95
Morton College (Cicero)	\$ 61.00
Triton College (River Grove)	\$ 61.00

\*College of Lake County listed Fall 2006 tuition as \$71.00

Source: Web Sites of Colleges

### **State Equalization Formula**

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a District’s taxable property wealth. Because the formula for distributing

equalization grants does not account for the tax cap law, it assumes that a greater amount of property wealth is available to tax-capped Districts than can actually be taxed (without seeking approval of the voters through a referendum). Over time, this has meant that state funding for the City Colleges has been sharply reduced. The current formula on its own would have provided the City Colleges with almost no revenue in FY2007. To correct this imbalance, The state awarded a \$15.0 million grant to the City Colleges in FY2005. It renewed this grant in FY2006 and will do so again in FY2007, adding \$0.3 million to the grant for minority. However, this grant is not permanent and must be re-appropriated in future years at the discretion of the General Assembly. The City Colleges should continue to seek a revision of the formula.

**Amount of Property Tax Revenues in FY2007**

Property tax years are the same as calendar years. However, the City Colleges fiscal year, for which funds are budgeted, is July 1 to June 30. In addition, there is a one-year lag in Cook County between the time that property taxes are levied and when they are collected. Taxes levied in 2006 will actually be received in 2007. Because of the effect of both of these factors, the property tax funds available during the City Colleges upcoming fiscal year (FY2007) will be drawn from part of tax year 2005 and part of tax year 2006.

In FY2007, the City Colleges will have a total of \$132.0 million in property tax revenues available to utilize. Of that amount, \$69.1 million will be derived from the estimated 2005 levy and \$70.9 million will be derived from the estimated 2006 levy. Net property tax revenues are expected to increase by 1.0% or nearly \$1.3 million between FY2006 and FY2007.

<b>Amount of Property Tax Revenues Received by City Colleges: FY2006 &amp; FY2007</b>		
	<b>FY2005</b>	<b>FY2006</b>
1/2 Estimated Gross 2004 Levy	\$ 67,058,292	
1/2 Estimated Gross 2005 Levy	\$ 71,583,155	
1/2 Estimated Gross 2005 Levy		\$ 69,151,735
1/2 Estimated Gross 2006 Levy		\$ 70,969,561
<b>Subtotal: Gross Levy Funds Available</b>	<b>\$ 138,641,447</b>	<b>\$ 140,121,296</b>
Back Taxes Revenue	\$ (3,150,000)	\$ (3,152,729)
Estimated Loss and Cost of Collection	\$ (4,725,415)	\$ (4,904,245)
<b>TOTAL (Net Levy)</b>	<b>\$ 130,766,032</b>	<b>\$ 132,064,322</b>
<b>\$ CHG FY06-FY07</b>		<b>\$ 1,298,290</b>
<b>% CHG FY06-FY07</b>		<b>1.0%</b>

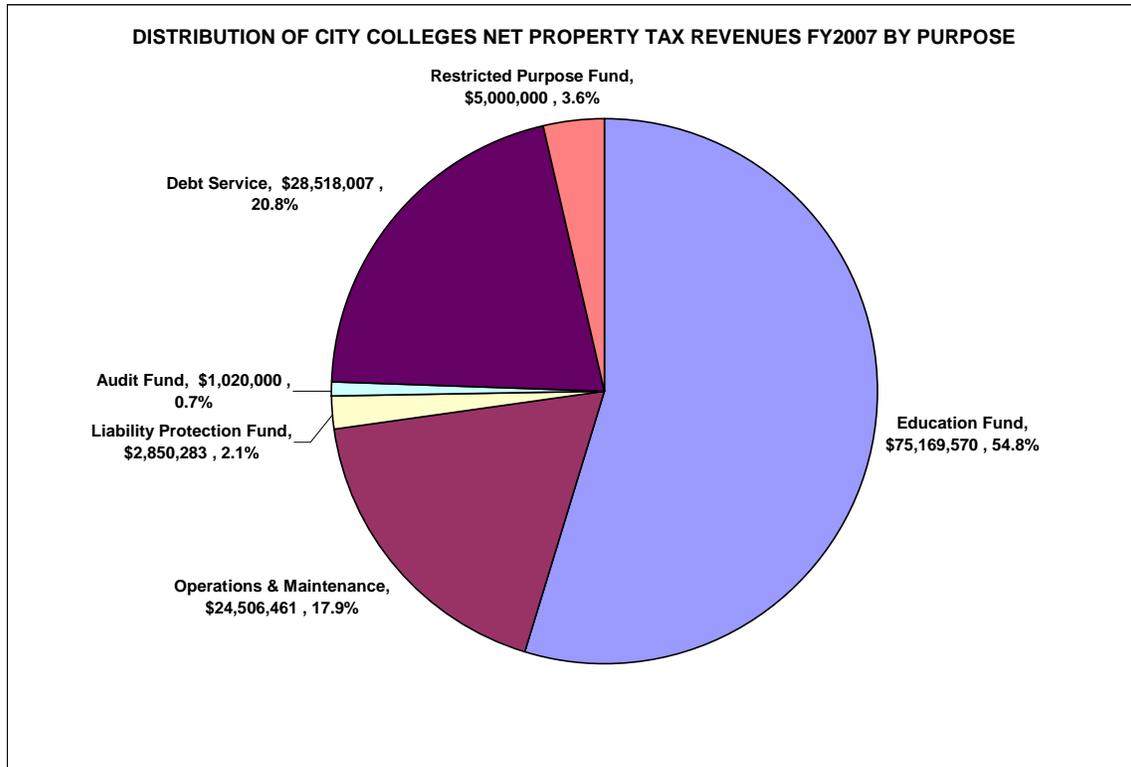
Source: City Colleges FY2006 & FY2007 Budgets

Approximately \$108.0 million of the total property tax revenues available in FY2007 (from tax year 2005) are for operating funds that are subject to the State’s tax cap law, which limits increases to 5% or inflation, whichever is less.<sup>3</sup> The District expects to

<sup>3</sup> The remaining funds are exempt from the tax cap. They are primarily for debt service payments to the Chicago Public Building Commission for capital leases.

increase the operating fund levy by 3.4% in tax year 2006, or to \$112.2 million.<sup>4</sup> It will thereby again raise property taxes to the maximum amount allowed by the tax cap law.

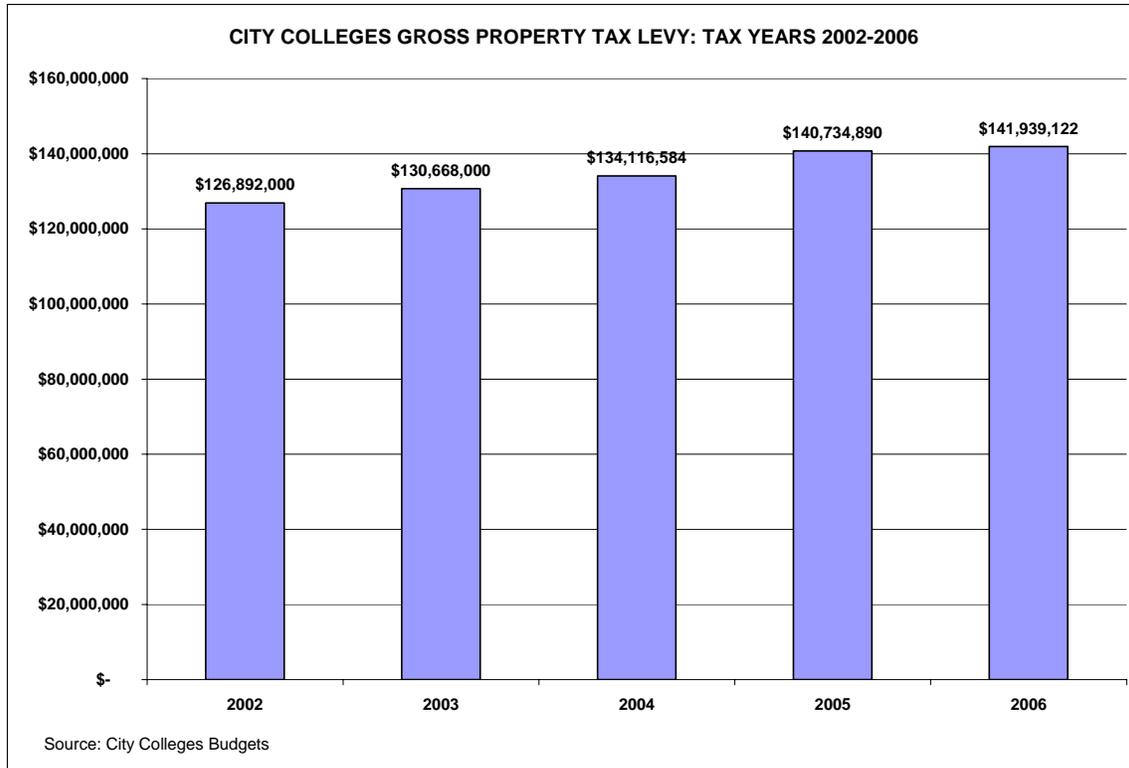
The distribution of total net City Colleges property tax revenues is shown below. Approximately 54.8% or \$75.1 million is earmarked for the education fund, the City Colleges general operating fund. Over \$28.5 million or 20.8% of all net property tax revenues is earmarked for debt service and \$24.5 million or 17.9% of the total is reserved for operations and maintenance.



### Gross Property Tax Levy

The exhibit below shows the amount of the gross property tax levy for all purposes for tax years 2002 through 2006. The gross property tax levy for tax year 2006 is estimated to rise by 0.9% from the previous year or from \$140.7 million to \$141.9 million. Since FY2002, the gross property tax levy will have increased by 11.9% or \$15.0 million. It is important to note that the actual amount of property tax dollars City Colleges will receive in tax year 2006 will not be known until the Cook County Clerk actually extends the levy and applies all relevant rate limits and the tax cap on eligible funds. The final extension amount is different than and usually less than the original levy amount.

<sup>4</sup> These funds will be collected in FY2008.

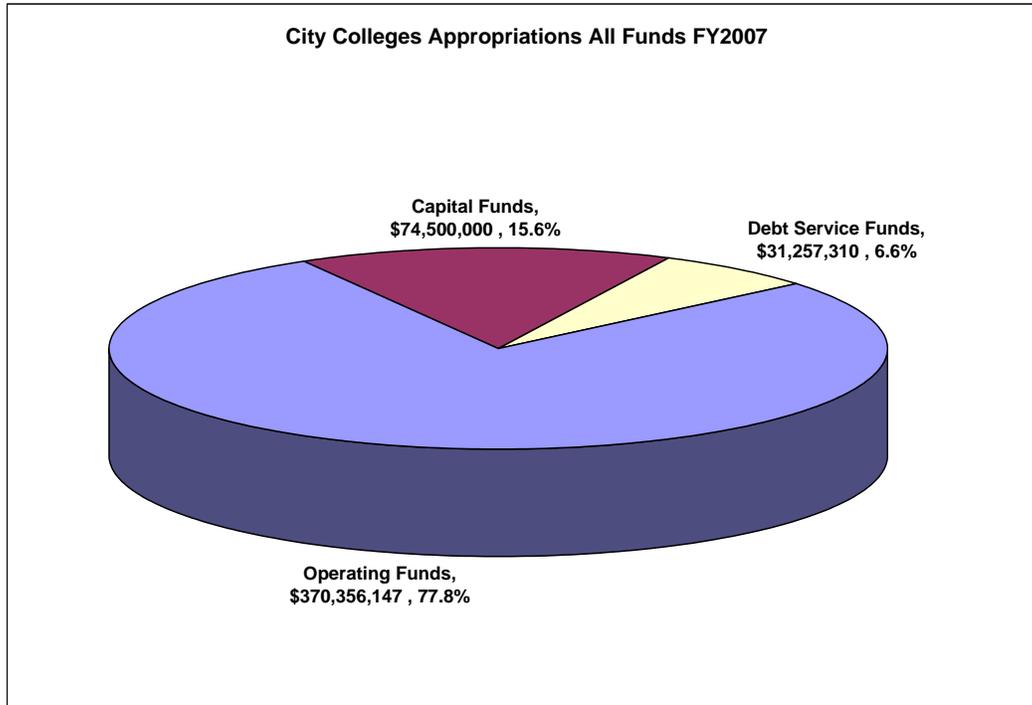


## **APPROPRIATION TRENDS**

The following section presents information and trends regarding the City Colleges' appropriations and expenditures. The FY2007 City Colleges proposed budget will be approximately \$476.1 million, \$1.9 million more than in FY2006.

### **Total Appropriations for FY2007**

Of the City Colleges' \$476.1 million FY2007 budget, approximately 77.8% will go to the operating funds, 15.6% to the capital fund, and 6.6% to debt service. Operating funds finance employees' salaries and benefits, pay for utility costs, and fund all other day-to-day expenditures incurred by the City Colleges. In the City Colleges' budget, operating funds includes all funds except capital and debt service. The capital fund provides money for all major building projects as well as the improvement of existing structures. The debt service funds pay for the City Colleges' outstanding bond obligations.



As the following table shows, from FY2006 to FY2007 the City Colleges' total budget is expected to increase by 0.4%, or \$1.9 million. The largest appropriations increases are in unrestricted operating funds, which will increase by 9.4% or \$22.6 million. Restricted operating fund appropriations will decrease by \$9.7 million or 8.2%.<sup>5</sup> Capital fund appropriations will drop by \$2.9 million or 3.7%, but the largest appropriations decrease will be in debt service funds, which will fall by \$8.1 million or 20.6%.

<b>CITY COLLEGES APPROPRIATIONS ALL FUNDS: FY2006 &amp; FY2007 (In Millions)</b>				
<b>Fund Type</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ Change</b>	<b>% Change</b>
Operating Funds				
Unrestricted	\$ 239.4	\$ 262.0	\$ 22.6	9.4%
Restricted	\$ 118.0	\$ 108.3	\$ (9.7)	-8.2%
<b>Subtotal Operating</b>	<b>\$ 357.4</b>	<b>\$ 370.3</b>	<b>\$ 12.9</b>	<b>3.6%</b>
Capital Fund	\$ 77.4	\$ 74.5	\$ (2.9)	-3.7%
Debt Service Funds	\$ 39.4	\$ 31.3	\$ (8.1)	-20.6%
<b>Total</b>	<b>\$ 474.2</b>	<b>\$ 476.1</b>	<b>\$ 1.9</b>	<b>0.4%</b>

Source: City Colleges Budget FY2006, p. 48, and City Colleges Budget Office for FY2007

### **Five-Year Appropriation Trends for All Funds**

The Civic Federation cannot present a five-year trend for all funds at this time. Comparable data for the capital and debt service funds are not available for FY2003.

<sup>5</sup> Unrestricted funds can be used for any purpose approved by the Board of Trustees, but restricted funding from private or government organizations must be used for a specific activity.

## The Proposed Operating Budget: Unrestricted and Restricted Funds

The FY2007 budget proposes a total operating funds appropriation of \$370.4 million, up \$13.0 million, or 3.6%, from proposed FY2006 appropriations of \$357.4 million. Contractual services will increase by 32.3%, and utilities appropriations will increase by 9.8%. Salaries will rise by 4.1%, but employee benefits costs are expected to decrease by 17.1%. Capital outlay costs paid out of operating funds will also decrease, by 17.6%.

<b>CITY COLLEGES APPROPRIATIONS BY OBJECT OF EXPENDITURE</b>				
<b>ALL OPERATING FUNDS: FY2006 &amp; FY2007</b>				
<b>Appropriation by Object</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Salaries	\$ 168,726,857	\$ 175,643,009	\$ 6,916,152	4.1%
Employee Benefits	\$ 39,784,538	\$ 32,983,983	\$ (6,800,555)	-17.1%
Contractual Services	\$ 35,822,923	\$ 47,394,244	\$ 11,571,321	32.3%
Materials/Supplies	\$ 19,269,028	\$ 19,710,490	\$ 441,462	2.3%
Travel/Conferences	\$ 2,342,901	\$ 2,515,050	\$ 172,149	7.3%
Fixed Charges	\$ 1,927,757	\$ 2,026,559	\$ 98,802	5.1%
Utilities	\$ 12,136,990	\$ 13,321,426	\$ 1,184,436	9.8%
Capital Outlay	\$ 5,542,361	\$ 4,566,000	\$ (976,361)	-17.6%
Other	\$ 71,807,779	\$ 72,195,388	\$ 387,609	0.5%
<b>TOTAL</b>	<b>\$ 357,361,134</b>	<b>\$ 370,356,149</b>	<b>\$ 12,995,015</b>	<b>3.6%</b>

Source: City Colleges of Chicago FY2006 Budget, p. 50 and 57, and the City Colleges Budget Office

Turning to operating funds by program, institutional support appropriations will increase by 18.3%, or \$11.3 million, and auxiliary/enterprise will increase by 18.1%, or \$0.3 million. Student Services and Public Service appropriations will rise by 15.9% and 11.8% respectively. Scholarships, grants, and waivers appropriations will increase by 6.4% following a 23% increase in FY2006. Academic support appropriations, however, will fall by 5.1% following an 18.1% increase in FY2006. Instruction appropriations will decrease by 8.7% for a savings of \$10.6 million, and organized research appropriations have been eliminated for FY2007.

<b>CITY COLLEGES APPROPRIATIONS BY PROGRAM</b>				
<b>ALL OPERATING FUNDS: FY2006 &amp; FY2007</b>				
<b>Program</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Instruction	\$ 121,992,495	\$ 111,379,645	\$ (10,612,850)	-8.7%
Academic Support	\$ 32,819,321	\$ 31,129,859	\$ (1,689,462)	-5.1%
Student Services	\$ 28,082,229	\$ 32,533,796	\$ 4,451,567	15.9%
Public Service	\$ 15,752,330	\$ 17,614,550	\$ 1,862,220	11.8%
Organized Research	\$ 242,000	\$ -	\$ (242,000)	-100.0%
Auxiliary/Enterprise	\$ 1,617,459	\$ 1,909,966	\$ 292,507	18.1%
Operations & Maintenance	\$ 35,948,530	\$ 39,849,814	\$ 3,901,284	10.9%
Institutional Support	\$ 61,637,670	\$ 72,888,207	\$ 11,250,537	18.3%
Scholarships, Grants	\$ 59,269,100	\$ 63,050,312	\$ 3,781,212	6.4%
<b>TOTAL</b>	<b>\$ 357,361,134</b>	<b>\$ 370,356,149</b>	<b>\$ 12,995,015</b>	<b>3.6%</b>

Source: City Colleges of Chicago FY2006 Budget, p. 48, and City Colleges Budget Office

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

- **Instruction** refers to classroom activities including faculty salaries and classroom materials.
- **Institutional Support** refers to activities related to general institutional management.
- **Operations and Maintenance** refers to physical plant and facility-related activities.
- **Academic Support** refers to activities directly supporting instruction including tutoring and academic management.
- **Student Services** refers to activities including registering, admitting and testing students.
- **Public Service** refers to programs designed to serve the public, such as customizing training and continuing education.

This year's budget includes \$4.4 million in appropriations (spread out amongst several different program categories) for Dawson Technical Institute, housed in Kennedy-King College. Working in cooperation with several of Chicago's trade unions, the City Colleges has designed their Dawson program to open the construction and building trades to minority and, in particular, to African American workers. Bringing the economic opportunities afforded by employment in Chicago's construction and building trades to communities that, historically, have been excluded from such jobs would be an important service to these communities and to the city of Chicago.

#### **Five-Year Operating Funds Trend: FY2003 and FY2007**

While appropriations for instruction will increase slightly between the FY2003 and FY2007 proposed budgets, public service expenditures will rise by 104.8%. Academic support will increase by 88.9%, and student services appropriations will increase by 73.1%. Auxiliary/enterprise appropriations will fall by 72.4% or \$5.0 million.

<b>CITY COLLEGES APPROPRIATIONS BY PROGRAM</b>					
<b>ALL OPERATING FUNDS: FY2003 &amp; FY2007 (In Thousands of Dollars)</b>					
<b>Program</b>	<b>FY2003</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>	
Instruction	\$ 106,997	\$ 111,380	\$ 4,383	4.1%	
Academic Support	\$ 16,477	\$ 31,130	\$ 14,653	88.9%	
Student Services	\$ 18,792	\$ 32,534	\$ 13,742	73.1%	
Public Service	\$ 8,601	\$ 17,615	\$ 9,014	104.8%	
Auxiliary/Enterprise	\$ 6,931	\$ 1,910	\$ (5,021)	-72.4%	
Operations & Maintenance	\$ 30,761	\$ 39,850	\$ 9,089	29.5%	
Institutional Support	\$ 58,034	\$ 72,888	\$ 14,854	25.6%	
Scholarships, Grants	\$ 36,007	\$ 63,050	\$ 27,043	75.1%	
Other	\$ 12,299	\$ -	\$ (12,299)	-100.0%	
<b>TOTAL</b>	<b>\$ 294,899</b>	<b>\$ 370,357</b>	<b>\$ 75,458</b>	<b>25.6%</b>	

Source: City Colleges of Chicago FY2003 Budget, p. CCC-8, and City Colleges Budget Office

## The Proposed Operating Budget: Unrestricted Funds

In FY2007, unrestricted fund expenditures are projected to increase by 6.7%, from a proposed FY2006 appropriation of \$245.7 million to \$262.1 million.

Contractual services will increase by 45.4%, travel and conference expenditures by 13.9%, utilities by 9.9%, and salary costs by 8.7%. "Other" expenditures are expected to decrease by 23.5%, capital outlay will fall by 19.9%, and employee benefits will drop by 19.6%.

<b>CITY COLLEGES APPROPRIATIONS BY OBJECT OF EXPENDITURE UNRESTRICTED OPERATING FUNDS: FY2006 &amp; FY2007</b>				
<b>Object</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Salaries	\$ 137,229,857	\$ 149,227,569	\$ 11,997,712	8.7%
Employee Benefits	\$ 34,243,538	\$ 27,517,259	\$ (6,726,279)	-19.6%
Contractual Services	\$ 28,906,923	\$ 42,039,967	\$ 13,133,044	45.4%
Materials/Supplies	\$ 12,049,028	\$ 12,615,461	\$ 566,433	4.7%
Travel/Conferences	\$ 1,375,901	\$ 1,567,412	\$ 191,511	13.9%
Fixed Charges	\$ 1,893,757	\$ 2,002,466	\$ 108,709	5.7%
Utilities	\$ 12,107,990	\$ 13,301,485	\$ 1,193,495	9.9%
Capital Outlay	\$ 3,628,361	\$ 2,907,751	\$ (720,610)	-19.9%
Other	\$ 14,225,779	\$ 10,876,778	\$ (3,349,001)	-23.5%
<b>TOTAL</b>	<b>\$ 245,661,134</b>	<b>\$ 262,056,148</b>	<b>\$ 16,395,014</b>	<b>6.7%</b>

Source: City Colleges of Chicago FY2006 Budget, p. 50, and City Colleges Budget Office

The projected decrease in employee benefits appropriations is especially significant. Employee benefits comprise employer Medicare and Social Security taxes, health and dental insurance costs, as well as life insurance. As a result of increased employee contributions for medical claims and contract negotiations with the Cook County College Teachers Union, Local 1600, the City Colleges will be able to reduce their overall expenditures on health insurance, resulting in a significant decrease in appropriations for aggregate employee benefits.<sup>6</sup> The FY2006 renegotiation of employee benefits included the following provisions:

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

As the table below shows, institutional support appropriations will increase by \$14.8 million or 27.1%, student services appropriations from unrestricted funds will increase by \$4.9 million or 26.8%, and auxiliary/enterprise appropriations will grow by \$0.3 million

<sup>6</sup> City Colleges of Chicago FY2007 Budget, p. 67.

or 22.2%. Operations and maintenance will increase by 14.4%, \$4.8 million. Only instruction appropriations from unrestricted funds will decrease in FY2007. They will fall by 8.4% or \$9.1 million. There are no appropriations for organized research in FY2007.

<b>CITY COLLEGES APPROPRIATIONS BY PROGRAM UNRESTRICTED OPERATING FUNDS: FY2006 &amp; FY2007</b>				
<b>Program</b>	<b>FY2006</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Instruction	\$ 108,274,495	\$ 99,175,822	\$ (9,098,673)	-8.4%
Academic Support	\$ 19,820,321	\$ 20,002,658	\$ 182,337	0.9%
Student Services	\$ 18,392,229	\$ 23,327,339	\$ 4,935,110	26.8%
Public Service	\$ 7,882,330	\$ 8,211,944	\$ 329,614	4.2%
Organized Research	\$ -	\$ -	\$ -	-
Auxiliary/Enterprise	\$ 1,451,459	\$ 1,773,104	\$ 321,645	22.2%
Operations & Maintenance	\$ 33,476,530	\$ 38,291,842	\$ 4,815,312	14.4%
Institutional Support	\$ 54,676,670	\$ 69,476,439	\$ 14,799,769	27.1%
Scholarships, Grants	\$ 1,687,100	\$ 1,797,000	\$ 109,900	6.5%
<b>TOTAL</b>	<b>\$ 245,661,134</b>	<b>\$ 262,056,148</b>	<b>\$ 16,395,014</b>	<b>6.7%</b>

Source: City Colleges of Chicago FY2006 Budget, p. 50, and City Colleges Budget Office

### Five-Year Unrestricted Fund Appropriation Trends

From FY2003 to FY2007, unrestricted expenditures will increase by 24.3%, from \$210.9 million to \$262.1 million. Public service expenditures will have tripled between FY2003 and FY2007, though the \$8.3 million to be spent on public service (which includes the Colleges' continuing education programs) in FY2007 does not constitute a large percentage of the overall unrestricted funds appropriations. Student services will have increased by 52.9%, scholarships, waivers, and grants by 47.3%, academic support by 43.0%, and instruction by 17.6%.

<b>CITY COLLEGES APPROPRIATIONS BY PROGRAM UNRESTRICTED OPERATING FUNDS: FY2003 &amp; FY2007</b>				
<b>Program</b>	<b>FY2003</b>	<b>FY2007</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
Instruction	\$ 84,309,394	\$ 99,175,822	\$ 14,866,428	17.6%
Academic Support	\$ 13,986,107	\$ 20,002,658	\$ 6,016,551	43.0%
Student Services	\$ 15,260,529	\$ 23,327,339	\$ 8,066,810	52.9%
Public Service	\$ 2,005,272	\$ 8,211,944	\$ 6,206,672	309.5%
Auxiliary/Enterprise	\$ 6,780,295	\$ 1,773,104	\$ (5,007,191)	-73.8%
Operations & Maintenance	\$ 30,095,043	\$ 38,291,842	\$ 8,196,799	27.2%
Institutional Support	\$ 57,216,000	\$ 69,476,439	\$ 12,260,439	21.4%
Scholarships, Grants	\$ 1,220,000	\$ 1,797,000	\$ 577,000	47.3%
<b>TOTAL</b>	<b>\$ 210,872,640</b>	<b>\$ 262,056,148</b>	<b>\$ 51,183,508</b>	<b>24.3%</b>

Source: City Colleges of Chicago FY2003 Budget, p. CCC-6, and City Colleges Budget Office

### ENROLLMENT TRENDS

As the following table indicates, full-time equivalent student enrollment at the City Colleges decreased by 7.8% from FY2005 to 2006. This is a fall from 45,043 to 41,531 or a reduction of 3,512 FTEs. Enrollment fell in all program groups except the small pre-

credit programs (up 0.6%), the vocational skills program (up 5.6%) and the small manufacturing technology program (up 112.2%).

Enrollment in the largest program, for credit classes, fell in FY2006 by 5.4%, or from 22,135 to 20,933. Military enrollment continues to drop due to the phasing out of contracts between the armed forces and the City Colleges. Continuing education decreased by 20.0% and adult education enrollment dropped by 12.9%. These decreases are due in large part to decreased immigration after September 11, 2001, and the resultant lack of demand for courses in English as a second language.<sup>7</sup>

<b>CITY COLLEGES FTE ENROLLMENT FY2005-FY2006</b>				
<b>Type</b>	<b>FY2005</b>	<b>FY2006</b>	<b>CHG 05-06</b>	<b>% CHG 05-06</b>
<b>Credit</b>	22,135	20,933	(1,202)	-5.4%
<b>Pre-Credit</b>	794	799	5	0.6%
<b>Continuing Education</b>	665	532	(133)	-20.0%
<b>Adult Education</b>	19,857	17,298	(2,559)	-12.9%
<b>ABE</b>	4,819	3,890	(929)	-19.3%
<b>GED</b>	1,866	1,729	(137)	-7.3%
<b>ESL</b>	13,173	11,679	(1,494)	-11.3%
<b>Vocational Skills</b>	1,107	1,169	62	5.6%
<b>Mfg. Technology</b>	312	662	350	112.2%
<b>Military</b>	173	138	(35)	-20.2%
<b>TOTAL</b>	<b>45,043</b>	<b>41,531</b>	<b>(3,512)</b>	<b>-7.8%</b>

Source: FY2007 City Colleges Tentative Budget, p. 243.

\* Including Military

The picture is much the same when 5-year enrollment trends are examined. Full-time equivalent student enrollment at the City Colleges decreased by 16.0% from FY2002 to 2006. This is a fall from 49,437 to 41,531, a reduction of 7,859 FTEs. This is a reduction of 3,414 FTEs. Military enrollment has dropped by over 89% due to the phasing out of contracts between the armed forces and the City Colleges. Continuing education decreased by 63.5% and adult education enrollment dropped by 29.4%. The only programs which have experienced a 5-year increase in enrollment are the credit programs, in which FTE enrollment rose by 6.5% and the manufacturing technology program, in which FTE enrollment rose from 62 to 600.

<sup>7</sup> Communication from the City Colleges of Chicago Budget Office, August 29, 2005.

CITY COLLEGES FTE ENROLLMENT: FY2002-FY2006							
Type	FY2002	FY2003	FY2004	FY2005	FY2006	CHG 02-06	% CHG 02-06
Credit	19,649	21,403	22,007	22,135	20,933	1,284	6.5%
Pre-Credit	834	830	813	794	799	(35)	-4.2%
Continuing Education	1,457	1,393	1,213	665	532	(925)	-63.5%
Adult Education	24,513	23,558	22,258	19,857	17,298	(7,215)	-29.4%
ABE	6,864	6,032	5,536	4,819	3,890	(2,974)	-43.3%
GED	2,260	2,502	2,235	1,866	1,729	(531)	-23.5%
ESL	15,388	15,024	14,488	13,173	11,679	(3,709)	-24.1%
AHS	47	N/A	N/A	N/A	N/A		
Vocational Skills	1,589	1,360	1,158	1,107	1,169	(420)	-26.4%
Mfg. Technology	62	134	419	312	662	600	967.7%
Military	1,286	1,161	205	173	138	(1,148)	-89.3%
<b>TOTAL*</b>	<b>49,437</b>	<b>49,839</b>	<b>48,073</b>	<b>45,043</b>	<b>41,531</b>	<b>(7,859)</b>	<b>-16.0%</b>

Source: FY2007 City Colleges Tentative Budget, p. 243.

\* Including Military

## UNRESERVED, UNDESIGNATED FUND BALANCE

The Government Finance Officers Association recommends that governments maintain an unreserved fund balance of no less than 5% to 15% of general fund operating revenues or 1-2 months of operating expenditures.<sup>8</sup> The purpose of this indicator is to measure the ability of a government to quickly convert illiquid assets to cash to meet contingency needs.

CITY COLLEGES UNRESTRICTED FUND BALANCE RATIO			
	Unreserved Fund Balance	Operating Expenses	Ratio
FY2001	\$ 19,203,107	\$ 278,247,017	6.9%
FY2002	\$ 30,144,800	\$ 281,633,975	10.7%
FY2003	\$ 32,103,031	\$ 300,212,420	8.2%
FY2004*	\$ 29,274,365	\$ 357,696,112	8.2%
FY2005*	\$ 73,393,636	\$ 286,386,329	25.6%

Source: City Colleges CAFRs.

\* The City Colleges Board of Trustees also designated \$10.3 million in Unrestricted Net Assets to be reserved for capital expenditures.

### *Unrestricted Fund Balance Ratio: Substantial Increase in FY2005*

Between FY2001 and FY2005, the CCC general operating funds' unrestricted fund balance increased substantially from 6.9% or \$19.2 million to 25.6% of operating expenses or \$73.3 million. Therefore, the ratio has been above the 5% minimum GFOA recommendation for all five years reviewed.

<sup>8</sup> Government Finance Officers Association. Recommended Practice on Appropriate Level of Unreserved Fund Balance in the General Fund (2002). The City Colleges is a special purpose, not a general purpose government, but its size and the relative stability of its revenue stream make it prudent for the CCC to maintain adequate reserves.

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

**DEBT TRENDS**

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

**Short-Term Debt Trends**

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

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Short-term debt includes all current liabilities reported for governmental and business-type activities of the District. The exhibit below presents City Colleges short-term debt trends for Fiscal Years 2001 through 2005. During that four-year period, the amount of short-term debt rose by \$41.5 million or 32.6%. This represents an increase from \$127.4 million to \$168.9 million.<sup>9</sup> The four-year rate of increase is large and bears watching. However, the amount of current liabilities have remained steady over the last three years.

<b>CITY COLLEGES SHORT-TERM DEBT</b>		
<b>Fiscal Year</b>	<b>Short-Term Debt</b>	<b>% Change</b>
<b>FY2002</b>	\$ 127,419,741	
<b>FY2003</b>	\$ 158,470,914	24.4%
<b>FY2004</b>	\$ 159,380,955	0.6%
<b>FY2005</b>	\$ 168,937,028	6.0%
<b>4-Year Increase</b>	<b>\$ 41,517,287</b>	<b>32.6%</b>

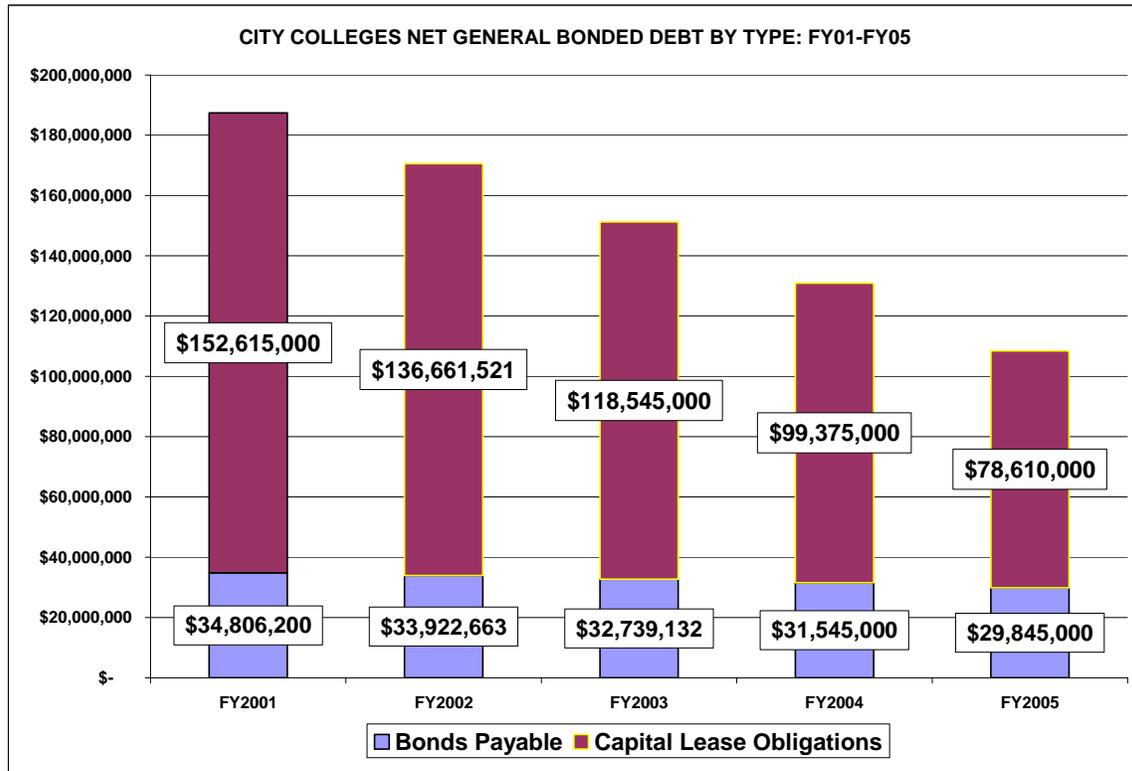
Source: City Colleges CAFRs, various years

**Net General Bonded Debt Trends**

Net general bonded debt includes capital lease obligations with the Chicago Public Building Commission and revenue bonds payable. The exhibit below shows the breakdown of capital lease obligations versus bonds payable for FY2001 through FY2005. During that 5-year period, the total debt burden declined from a total of \$187.4

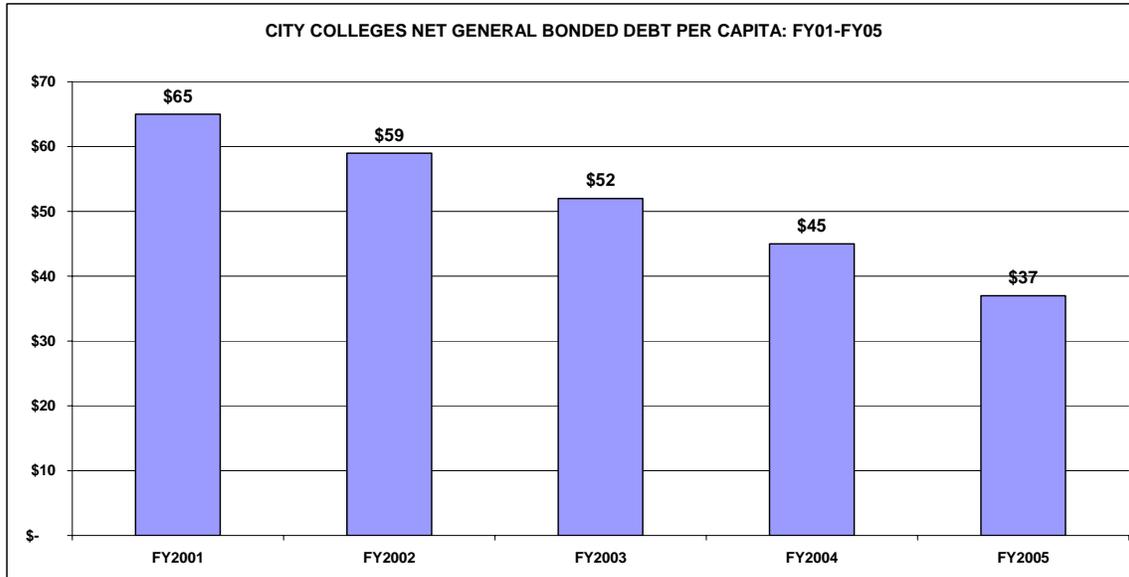
<sup>9</sup> Information obtained from *Cook County Comprehensive Annual Reports*, various years.

to \$108.4 million. Capital lease obligations declined slightly as a proportion of total debt, falling from 81.4% to 72.5%.



Source: City Colleges FY2005 CAFR.

The next exhibit presents historic City Colleges net general bonded debt per capita figures. This indicator is a measure of a government’s ability to maintain its current financial policies. Increases bear watching as a potential sign of increasing financial risk. Overall, long-term City Colleges’ debt per capita decreased by 43.1% between FY2001 and FY2005 from \$65 to \$37. This is a positive long-term trend.



Source: City Colleges FY2005 CAFR.

### **CITY COLLEGES FY2007-FY2011 CAPITAL PLAN**

The City Colleges initiated a capital planning process in 2004. It is now completing a comprehensive \$1.2 billion 5-year Capital Plan for FY2007-FY2011. The District's Administrative Services Department is responsible for developing the Capital Plan. The five stated objectives of the Capital Plan are:

1. Enhancement of the capital decision making process by providing policymakers with better information on which to base their decisions.
2. Utilizing Industry Standards to Measure the Condition of Capital Assets.
3. Quantifying the Costs of Renewing and Rehabilitating the District's Capital Assets.
4. Using formal criteria to establish priorities for capital resource allocation.
5. Identifying cost reduction strategies over time.

The Capital Plan includes a narrative overview that provides definitions of key terms as well as the various elements of the District's capital planning process. Subsequently, the Plan provides a summary overview of proposed capital projects and existing resources and future funding needs followed by descriptions of the individual capital plans and requirements for each college campus and the central headquarters faculty.<sup>10</sup>

One of the first steps in preparing the City Colleges Capital Plan was to charge an external team of engineers and architects with preparing a condition assessment of existing capital assets on each of the seven college campuses as well as the central headquarters facility. The teams then catalogued costs and projects that would be necessary to address deficiencies identified during those assessments.<sup>11</sup>

<sup>10</sup> *City Colleges of Chicago FY2007-FY2011 Capital Plan*, pp. 8-23.

<sup>11</sup> *Ibid*, pp. 13-15.

Once capital asset condition has been assessed and needs identified, the District undertakes a prioritization process to ultimately determine project selection. The administration of each campus is involved in this part of the process to provide important stakeholder input. The process is assisted by the use of Renewal Capital Asset Priority Planning (ReCAPP) software. The ReCAPP system is a data repository that houses data about life cycle costs, capital reinvestment, major capital expenditures and other data based on an inventory of major building systems and components. Priorities are assigned to projects falling within the first 5 years. The projects thus identified are then assessed to confirm their condition and required costs. Each year the information is re-assessed and reviewed. The prioritization process permits development of funding strategies that address the District's most significant needs.<sup>12</sup>

### **EMPLOYEE RETIREMENT PENSION FUND**

City Colleges employees are enrolled in the State Universities Retirement System (SURS) of Illinois. Plan members contribute 8.0% of their annual covered salary. In FY2005, the State of Illinois made employer contributions on behalf of the City Colleges at the actuarially determined rate of 11.12% of covered payroll. State contributions to SURS on behalf of the City Colleges for FY2005 were \$11.0 million. In addition, the City Colleges make employer contributions for certain positions that are funded through federal grants. Contributions for these positions totaled \$866,310 in FY2005.<sup>13</sup>

### **CIVIC FEDERATION RECOMMENDATIONS**

The Civic Federation offers the following recommendations regarding ways to improve the City Colleges financial management and fulfill its financial obligations.

#### **Allow at Least Ten Working Days for Public Review and Comment**

At a minimum, **ten working days** should be allowed for the public review period before public testimony is heard. Only in this way can citizens make fully informed commentary on the largest local government budget.

#### **Release a Final Budget Rather than Both a Tentative and Final Budget**

The City Colleges should also consider waiting to release a **final budget** for public review rather than a tentative budget which is incomplete and changes. A Final Budget would incorporate all relevant data for all funds, including State funding sources. It would be based on the best available data. The current practice of issuing a tentative budget that is fairly complete for the operating funds followed by a final budget for all funds at a later date is confusing and very different from the budget practices of virtually

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<sup>12</sup> Ibid, pp. 13-15.

<sup>13</sup> *City Colleges of Chicago Comprehensive Annual Financial Report for the Year Ended June 30, 2005*, p. 40.

every other government. We understand the imperative to compete a budget document by a target date, but speed of production compromises completeness and accuracy.

### **Capital Plan Improvements**

The Civic Federation applauds the City Colleges for developing its first ever multi-year Capital Plan. In order to improve the capital planning process, we recommend that the District consider providing information in the Plan about the impact of capital spending on annual operating budget for each college or each project. We also urge the District to hold a public hearing at which the public could comment upon the Plan.

### **Implement a Formal Long Term Planning Process**

In past years we have praised City Colleges for beginning to put together the elements of a long-term financial planning process. The Budget book does contain a 4-year financial outlook that presents revenue and expenditure projections based on assumptions which are disclosed. We salute the District for being one of the few local governments to present this information.

At this juncture, the Civic Federation urges the City Colleges to take the next steps and develop a formal long-term financial plan. This would include the development and publication of a plan that is shared with and/or reviewed by key policymakers and stakeholders. A typical long-term financial plan (LTFP) consists of a 3-5 year forecast of revenues, expenditures and debt capacity; an assessment of historic economic and financial trends; and an evaluation of problems or opportunities and actions to address them, such as gap-closing or surplus management actions. The benefits of long-term financial planning include helping to determine if:

- Revenues are adequate to maintain services at current levels;
- Financial resources are sufficient to address future operating and capital expenditures;
- It is possible to expand existing programs or initiate new ones; or
- It is prudent to issue new debt to fund new capital projects.

By effectively linking policy and program priorities to the financial resources available currently and in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

### **Budget Format Recommendations**

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

- The budget should include an easily understood description of the reasons for a gap between revenues and expenditures if there is one and the steps taken to eliminate that gap.

- The budget should include a discussion of the District's gross property tax levy for all funds and a presentation of 5-year trends for the **gross property tax levy**. Taxpayers must pay property taxes that are distributed to all of the levy funds, not just the operating funds. Failure to clearly present and explain gross levy trends presents only a partial picture of District local government revenues. Virtually every government presents this information in an aggregate format and so should the District.
- The budget should contain comparable 5-year personnel trends when it becomes possible to produce and publish that data. There should also be some narrative that discusses the personnel changes and the reasons for those changes. It is our understanding that there are continue to be technical difficulties in calculating FTEs and presenting comparable multi-year trends for personnel. However, we urge the District to make every effort to compile and present this information. It is important to know exactly how many FTEs are employed by the District.
- The budget should include a discussion of appropriations and expenditure by program in addition to the current discussion which focuses on appropriations by object.

### **The State of Illinois Must Change the Community College Equalization Formula**

The Civic Federation once again reiterates its **strong support** for the City Colleges' efforts to effect a recalculation of the State community college equalization formula. The current system, adopted before the imposition of property tax caps, unfairly penalizes the City Colleges. We urge the Governor and the Illinois Community College Board to recognize that the contributions of Illinois's largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to the City Colleges.