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Contact Laurence Msall

312.201.9044

CIVIC FEDERATION COMMENDS CITY COLLEGES LEADERSHIP FOR FISCAL RESTRAINT

District to Reduce Overall Property Tax Burden 7.8% in FY2008

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The Civic Federation will announce its **support** of the \$473.6 million FY2008 City Colleges of Chicago budget at the district's public hearing on Tuesday, July 17th at 9:00 a.m. The Federation approves of the budget because the district has reduced its property tax burden and exercised fiscal restraint.

At a time when most governments in northeastern Illinois continue to reflexively increase spending, the City Colleges of Chicago will **reduce** its budget by 0.5% from FY2007 and **reduce** its overall property tax burden by 7.8% or \$10.2 million during FY2008. "The Civic Federation commends the district's leadership for affording much needed relief to overburdened Chicago taxpayers," said Laurence Msall, President of the Civic Federation. "It is refreshing to see a local government exert such careful fiscal stewardship over the funds homeowners and businesses provide."

The Federation is further encouraged that City Colleges has moved forward in its efforts to use strategic planning and improved business processes to improve its fiscal management over time. With the implementation last year of its first-ever five-year capital plan and continuing annual strategic planning process, the district stands in stark contrast to many other local governments, which still fail to implement even the most rudimentary planning systems. In its analysis, the Federation recommends the district build upon these management improvements by developing a formal long-term financial plan, a process that should help the City Colleges anticipate and prepare for contingencies before they become crises.

This year, the City Colleges addressed a longstanding Civic Federation concern and allowed two weeks for public review of the budget before holding its final public hearing. We congratulate the leadership of the district for being responsive to citizen concerns and making this significant improvement in the budget process.

The Civic Federation remains concerned, however, by the lack of current information on personnel or enrollment in the City Colleges' budget document, which is troubling from a transparency and planning standpoint. All other nine local governments the Civic Federation analyzes provide full personnel information in their budgets. Furthermore, as the City Colleges' policies and revenues are determined largely by enrollment trends, it is important that this key piece of information be included in the budget book. Finally, the Federation is concerned that the forecast of operating funds published in the budget shows the City Colleges will have an operating deficit of \$13.7 million by 2010 and \$20.6 million by 2011. Although the challenge of finding solutions to these future fiscal difficulties will require significant operating cost reductions and greater efficiencies, the City Colleges' renewed commitment to strategic planning and improved business processes should be beneficial in addressing these long-term fiscal challenges.

The report is available on our website www.civicfed.org.

* Executive Committee
✨ Past Chairmen's Council

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



**THE CITY COLLEGES OF CHICAGO
FY2008 TENTATIVE BUDGET**

Analysis and Recommendations

**Prepared By
The Civic Federation
July 17, 2007**

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EXECUTIVE SUMMARY

Illinois Community College District 508, the City Colleges of Chicago (CCC), proposes a \$473.6 million total budget for FY2008. This is a decrease of 0.5% from CCC's FY2007 budget.

The Civic Federation is pleased to **support** the City Colleges' FY2008 Budget. The District proposes to significantly reduce its budget in FY2008. The District will also reduce the overall property tax burden and implement strategic planning and business process improvements. The District has increased the amount of time allowed for public comment and review of its proposed FY2008 spending plan.

This year the City Colleges has chosen to exercise fiscal restraint, decreasing its budget for all funds by \$2.4 million, down from \$476.1 million in FY2007. In addition, the District's overall property tax burden will decrease by \$10.2 million or 7.8%, from \$132.0 million to \$121.7 million. The primary reason for these reductions is that debt service appropriations will fall following the completion of several major capital projects. At a time when most governments in the northeastern Illinois region continue to reflexively increase spending, the City Colleges has chosen a different path.

The Civic Federation **commends** the District's leadership for exercising fiscal discipline this year by reducing its budget and affording much needed relief to overburdened Chicago taxpayers. We support government efforts to mitigate the property tax burden on homeowners and businesses, and are strongly encouraged by the City Colleges' exercise of fiscal restraint in this budget.

The Civic Federation is also encouraged that the City Colleges is committed to using strategic planning and business processes to improve its financial management over time. This City Colleges has implemented a five-year Capital Plan and has continued its Annual Program and Service Analysis (APSA) strategic planning process. These initiatives contrast sharply with the practices of many other local governments, which have failed to implement even rudimentary planning systems, much less engage in public discussion of planning processes. We hope that the use of these processes will assist the District in making fiscally responsible management decisions in the coming years.

This year the City Colleges addressed a longstanding Civic Federation concern by allowing two weeks for public review of the budget document before holding its final public hearing. We **congratulate** the leadership of the City Colleges for being responsive to citizen concerns and making this significant improvement in the District's budget process.

The Civic Federation's concerns about the FY2008 City Colleges budget focus on several transparency issues. The budget neither provides information about the number of full time equivalent (FTE) positions by administrative unit for the current budget year, nor does it include aggregate personnel information anywhere in the document. The budget

book also fails to provide projections of FTE enrollment for FY2008. As the City Colleges' policies and revenues are determined in large part by enrollment trends, it is important that this key piece of information be reported.

The Civic Federation offers the following **key findings** on the CCC FY2008 Recommended Budget:

- The City Colleges FY2008 budget for all funds is projected to total approximately \$473.6 million, a decrease of 0.5% or \$2.4 million from the FY2007 budget.
- The operating budget will total approximately \$386.6 million, a 0.5%, \$1.7 million reduction from FY2007.
- Overall, state funding will decrease by nearly \$1 million or 1.0% from the previous year's state funding level.
- The total new gross levy in tax year 2007 will be approximately \$116.5 million, a \$25.4 million reduction from the previous tax year levy of \$141.9 million. Much of the decrease is due to a reduction in the amount levied for debt service.

The Civic Federation has several **concerns** about the FY2008 City Colleges budget:

- The FY2008 budget does not contain current personnel data.
- The budget fails to include current fiscal year projections for enrollment.
- The Federation is concerned about the District's long term financial plans related to the operating budget. The four-year forecast for operating funds published in the FY2008 budget book shows that the City Colleges will have an operating deficit of approximately \$13.7 million by 2010, and that the Colleges' entire operating fund balance will have been eliminated by that time, leaving all operating funds with a \$2.1 million deficit at the end of that fiscal year. The operating fund balance deficit will grow to \$20.6 million the following year. Clearly, the District will face a growing challenge in meeting its future fiscal difficulties. Finding solutions will require utilizing all strategic and business processes currently being implemented, seeking ways to boost enrollment and thus revenues, or making some painful cost cutting adjustments that may include a prioritization of the District's multi-faceted mission.

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

- The budget should include the following format improvements:
 - 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.
 - Summary tables that provide information about all operating funds (including grants) by object and by program in order to provide a complete picture of projected spending for the new fiscal year.
 - 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.
 - Projections for enrollment by credit hour for the current fiscal year.
- The City Colleges should move to develop a performance measurement system for administrative and support functions.

- 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 supports the need for the State of Illinois and the Illinois Community College Board to recognize the contributions of Illinois's largest community college system by fundamentally restructuring the equalization formula

OVERVIEW OF ANALYSIS

The Civic Federation is pleased to **support** the City Colleges of Chicago's FY2008 Budget. The District is proposing to reduce its budget in FY2008, the overall property tax burden will be reduced, strategic planning and business process improvements are being implemented, and the amount of time allowed for public comment and review has been increased.

Issues that The Civic Federation Supports

The Civic Federation supports the City Colleges FY2008 budget for the following reasons.

Reducing Appropriations

The City Colleges has proposed a FY2008 budget that reduces appropriations by 0.5% or \$2.4 million from the previous fiscal year. Appropriations are projected to be \$473.7 million in the new fiscal year, down from \$476.1 million in FY2007. Operating funds will decrease by 0.5% or \$1.7 million, down from \$370.3 million to \$368.6 million. Much of the aggregate reduction is due to a \$2.8 million reduction in debt service appropriations as the District completes major capital projects.

At a time when most governments in the northeastern Illinois region continue to reflexively increase spending, the City Colleges has chosen a different path. The Civic Federation **commends** the District's leadership for exercising fiscal discipline this year by reducing its budget.

Reducing the Aggregate Property Tax Burden

The City Colleges overall property tax burden will be reduced in FY2008. The net amount of property tax revenues received in the new fiscal year will decrease by \$10.2 million or 7.8%, from \$132.0 million to \$121.7 million. The tax year 2007 gross property tax levy will be \$116.5 million, a sharp 17.9% reduction from the tax year 2006 levy of \$141.9 million.

For tax capped funds, the City Colleges will be seeking to increase property taxes to the maximum amount allowed by the Property Tax Extension Limitation Act. The District projects a 4.1% increase in the amount of total property tax dollars levied for the

Education, Operation and Maintenance, Audit, and Liability Funds in FY2008. This is an increase from \$103.5 million to \$107.8 million. However, the aggregate property tax burden will fall due to a decrease in the amount of property tax dollars levied for debt service. Between FY2007 and FY2008, there will be a \$14.5 million or 51.1% decrease in the amount of property tax dollars used for this purpose. From tax year 2006 to 2007, the levy reduction for debt service totals \$29.1 million, a decrease from \$57.0 million to \$29.1 million.

The Civic Federation **applauds** the leadership of the City Colleges for affording much needed relief to overburdened Chicago taxpayers. Property taxes are inherently regressive because there is no relationship between increased assessments and a property owner's actual income. We are therefore very encouraged when governments act to mitigate the property tax burden on homeowners and businesses.

Developing and Implementing Long Term Planning Strategies

In recent years, the City Colleges has made important strides in developing and implementing several key planning mechanisms. These include the development of a first ever five-year Comprehensive Capital Plan for FY2007-FY2011 and the continuing Annual Program and Service Analysis (APSA) strategic planning process. These initiatives contrast sharply with the practices of many other local governments, which have failed to implement even rudimentary planning systems, much less engage in public discussion of planning processes. The City Colleges also has created a new Business Process Design and Quality Control Unit in the Office of the Executive Vice Chancellor for Academic Affairs, Planning and Research in an effort to develop and implement business process reforms throughout the seven-campus system.¹

The Civic Federation is encouraged that the City Colleges is committed to using strategic planning and business processes to improve its financial management over time. We hope that using these processes will assist the District in making fiscally responsible management decisions in the coming years.

Allowing More Time for Public Review of Budget

This year, the City Colleges gave the public fifteen working days to read and analyze its \$459.3 million budget before holding its final public hearing. The Civic Federation has long criticized the City Colleges for providing too little time for public review of the budget document. This year, we are very pleased that the District has responded to our concerns by providing increased time for the public to digest and consider the District's multi-million dollar spending plan. We **congratulate** the leadership of the City Colleges for making this significant improvement in the District's budget process.

Issues of Concern to The Civic Federation

The Civic Federation has several **concerns** about certain elements of the FY2008 budget.

¹ Information provided by City Colleges Financial Office, June 22, 2007.

Lack of Current Information on Personnel

The City Colleges budget provides information about the number of full time equivalent (FTE) positions by administrative unit from FY2003 through FY2007. However, no information is provided for the current budget year of FY2008, nor is personnel information provided anywhere in the document in aggregate form.

The Civic Federation believes that it is important for all governments to clearly disclose the number and type of personnel employed. The National Advisory Council on State and Local Budgeting (NACSLB) recommends that all jurisdictions provide multi-period comparative staffing information by unit.² All of the other nine government budgets the Civic Federation analyzes provide such information. We think it is time for the City Colleges to follow suit and also provide full personnel information in its budget document.

Lack of Current Information on Enrollment

The City Colleges budget book fails to provide projections of enrollment by credit hour for FY2008. The absence of this information is particularly unfortunate this year since the City Colleges projects an enrollment increase for the first time in several years, which explains projected increases in tuition and fees revenues. As the City Colleges' policies and revenues are determined in large part by enrollment trends, it is important that this key piece of information be included in the Budget Book.

Unsustainable Growth in Future Appropriations

The four-year forecast for operating funds published in the FY2008 budget book shows that the City Colleges will have an operating deficit of approximately \$13.7 million by 2010, and that the Colleges' entire operating fund balance will have been eliminated by that time, leaving all operating funds with a \$2.1 million deficit at the end of that fiscal year. The operating fund balance deficit will grow to \$20.6 million the following year. These indicators are troubling and are driven primarily by personal service costs. The cost of salaries and benefits between FY2008 and FY2011 will rise by 12.5%, from \$187.3 million to \$210.7 million. This rate of increase outstrips the overall projected rate of growth, which will be 10.3%.³ The District will face a growing challenge in meeting these future fiscal difficulties. Finding solutions will require utilizing all strategic and business processes currently being implemented, seeking ways to boost enrollment and thus revenues, or making some painful cost cutting adjustments that may include a prioritization of the District's multi-faceted mission.

² National Advisory Council on State and Local Budgeting. See Recommended Practice 10.1d: Provide a Guide to Operations. (Chicago: Government Finance Officers Association, 2000).

³ City Colleges FY2008 Budget, p. 2.

Civic Federation Recommendations

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

Budget Format Recommendations

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

- If there is a gap between revenues and expenditures, the budget should include an easily understood description of the reasons for this gap and the steps taken to eliminate it.
- The budget should include a discussion of the District's gross property tax levy for all funds and a presentation of five-year trends for the gross property tax levy.
- The budget should include summary tables that provide information about all operating funds (including grants) by object and by program in order to provide a complete picture of projected spending for the new fiscal year.
- The budget should contain comparable five-year personnel trends 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 budget should include projections for enrollment by credit hour for the current fiscal year.
- Projected expenditures for the different types of benefits such as health insurance, pensions, or life insurance should be included in the budget's summary tables.
- There should be discussions of savings generated from the implementation of efficiencies, business processes, or joint purchasing efforts such as the multi-government collaboration on the purchase of prescription drugs.

Capital Plan Improvements

In order to improve the capital planning process, we recommend that the District consider providing fiscal information about the impact of capital spending on the annual operating budget for each college or each project. The Budget Book should note that the Plan is updated each year and a new Plan should be prepared annually.

Implement a Formal Long Term Planning Process

The Civic Federation urges the City Colleges to build upon the management improvements it is implementing by developing a formal long-term financial plan. This would include the development and publication of a plan that is shared with and/or reviewed by key policymakers and stakeholders. By linking policy and program priorities to the financial resources that are 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.

Move Toward a Performance Measurement System for Administrative and Support Functions

All governments, including the City Colleges, should develop and utilize performance measures that are linked to specific program goals and objectives. The measures adopted should be valid, reliable, and verifiable. A high-performing performance measurement system includes measures that provide for comparisons of outputs and outcomes over time, facilitate managerial decision making, are limited in number, and are designed to help motivate staff to contribute meaningfully to organizational efficiency.

The Civic Federation recognizes that it is difficult to implement performance metrics for classroom instruction. However, the City Colleges could and should move to develop a performance measurement system for administrative and support service functions and programs such as facilities management and central administration. The information gleaned from the Annual Program and Service Analysis process should be useful in developing such measures. We emphasize that performance measures that are developed should be made publicly available in the budget or related financial documents.

The State of Illinois Must Change the Community College Equalization Formula

The Civic Federation again reiterates its **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.

ACKNOWLEDGMENTS

We would like to express our sincere thanks and appreciation to Chancellor Wayne Watson, Chief Financial Officer Kenneth Gotsch, Budget Director Phoebe Wood 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 of \$476.1 million in resources for all funds in FY2008. The exhibit below shows the breakdown of those resources. Approximately \$90.7 million from the City Colleges' fund balance will be appropriated in addition to the \$383.6 million that City Colleges will receive from local, state, and federal sources. The single largest revenue source will be property tax revenues, which will provide CCC with \$121.8 million or 25.6% of total revenues. The State of Illinois will provide 18.8% of all resources or \$89.6 million. State and Federal intergovernmental revenues combined will provide 36.4% of the FY2007 budget, or \$173.3 million.

City Colleges Resources: FY2008 Budget		
Sources of Revenues	FY2008	% of Total
Estimated Fund Balance	\$ 158,618,356	
Fund Balance to be Reserved	\$ (67,903,122)	
Fund Balance to be Appropriated	\$ 90,715,234	19.1%
Property Tax Revenues (Gross)	\$ 129,219,561	27.1%
Less Est. Loss and Cost of Collection	\$ (4,522,685)	-0.9%
Less Back Taxes	\$ (2,907,440)	-0.6%
Subtotal Property Taxes (Net)	\$ 121,789,436	25.6%
Tuition and Fees	\$ 73,086,025	15.3%
Auxiliary/Enterprise	\$ 8,682,589	1.8%
Investment Revenue	\$ 4,300,000	0.9%
Local Government Grants	\$ 2,393,000	0.5%
Total Local Government	\$ 210,251,050	44.2%
Personal Property Replacement Tax	\$ 12,800,000	2.7%
State Government	\$ 89,637,482	18.8%
Federal Government	\$ 70,900,546	14.9%
Subtotal State & Federal Sources	\$ 173,338,028	36.4%
Other Sources	\$ 1,835,700	0.4%
GRAND TOTAL	\$ 476,140,012	100.0%

Source: City Colleges Budget Office

City Colleges total FY2008 resources of \$476.1 million will be \$103,991 less than total FY2007 resources. Local government resources will decrease by \$9.1 million or 4.1% in FY2008, due in part to a \$2.6 million or 52.1% decrease in local government grants. Combined state and federal resources will see a slight \$0.8 million increase. "Other Sources" will decrease from \$2.7 million in FY2007 to \$1.8 million.

City Colleges Resources: FY2007 & FY2008				
Sources of Revenues	FY2007	FY2008	\$ Change	% Change
Estimated Fund Balance	\$ 116,403,000	\$ 158,618,356	\$ 42,215,356	36.3%
Fund Balance to be Reserved	\$ (34,735,709)	\$ (67,903,122)	\$ (33,167,413)	95.5%
Fund Balance to be Appropriated	\$ 81,667,291	\$ 90,715,234	\$ 9,047,943	11.1%
Property Tax Revenues (Gross)	\$ 140,121,296	\$ 129,219,561	\$ (10,901,735)	-7.8%
Less Est. Loss and Cost of Collection	\$ (4,904,245)	\$ (4,522,685)	\$ 381,560	-7.8%
Less Back Taxes	\$ (3,152,729)	\$ (2,907,440)	\$ 245,289	-7.8%
Subtotal Property Taxes (Net)	\$ 132,064,322	\$ 121,789,436	\$ (10,274,886)	-7.8%
Local Government Grants	\$ 5,000,000	\$ 2,393,000	\$ (2,607,000)	-52.1%
Tuition and Fees	\$ 70,728,065	\$ 73,086,025	\$ 2,357,960	3.3%
Auxiliary/Enterprise	\$ 7,242,825	\$ 8,682,589	\$ 1,439,764	19.9%
Investment Revenue	\$ 4,300,000	\$ 4,300,000	\$ -	0.0%
Total Local Government	\$ 219,335,212	\$ 210,251,050	\$ (9,084,162)	-4.1%
Personal Property Replacement Tax	\$ 12,800,000	\$ 12,800,000	\$ -	0.0%
State Government	\$ 90,585,647	\$ 89,637,482	\$ (948,165)	-1.0%
Federal Government	\$ 69,146,000	\$ 70,900,546	\$ 1,754,546	2.5%
Subtotal State & Federal Sources	\$ 172,531,647	\$ 173,338,028	\$ 806,381	0.5%
Other Sources	\$ 2,709,853	\$ 1,835,700	\$ (874,153)	-32.3%
GRAND TOTAL	\$ 476,244,003	\$ 476,140,012	\$ (103,991)	0.0%

Source: City Colleges of Chicago Budget Office

Operating Revenues

In FY2008 Operating Funds Revenues, which include all funds except the Capital Fund and the Debt Service Funds, are projected to increase by \$0.7 million or 0.2% over FY2007 operating revenues of \$370.4 million. Revenues from tuition and fees are projected to increase by \$2.4 million or 3.3%, and local government revenues will increase by \$1.7 million or 1.6%. State government revenues will decline slightly from \$98.9 million to \$97.9 million, a \$0.9 million or 1.0% decrease. The fund balance appropriated as operating funds be reduced by more than half in FY2008, decreasing from \$8.8 million in FY2007 to approximately \$4.1 million in FY2008. Other sources revenues will decrease by 32.3%, from \$2.7 million to \$1.8 million. Investment revenue will be flat.

City Colleges Operating Funds Revenues FY2007 & FY2008				
Revenue Source	FY2007	FY2008	\$ Change	% Change
Local Government	\$ 108,546,315	\$ 110,230,793	\$ 1,684,478	1.6%
State Government	\$ 98,886,647	\$ 97,937,482	\$ (949,165)	-1.0%
Federal Government	\$ 69,146,000	\$ 70,900,546	\$ 1,754,546	2.5%
Tuition and Fees	\$ 70,728,065	\$ 73,086,025	\$ 2,357,960	3.3%
Auxiliary/Enterprise	\$ 7,242,825	\$ 8,682,589	\$ 1,439,764	19.9%
Investment Revenue	\$ 4,300,000	\$ 4,300,000	\$ -	0.0%
Other Sources	\$ 2,709,853	\$ 1,835,700	\$ (874,153)	-32.3%
Fund Balance Appropriated	\$ 8,797,441	\$ 4,111,229	\$ (4,686,212)	-53.3%
TOTAL	\$ 370,357,146	\$ 371,084,364	\$ 727,218	0.2%

Source: City Colleges Budget Office

Unrestricted fund revenues (excluding restricted grant revenues) will increase by 2.3% or \$5.9 million, from \$253.3 million to \$259.2 million. State revenues for unrestricted purposes will decrease from \$56.1 million to \$55.3 million, a \$0.8 million decrease.

City Colleges Revenues				
Unrestricted Funds: FY2007 & FY2008				
Sources of Revenues	FY2007	FY2008	\$ Change	% Change
Local Government	\$ 103,546,314	\$ 107,837,793	\$ 4,291,479	4.1%
State Government	\$ 56,085,647	\$ 55,294,100	\$ (791,547)	-1.4%
PPRT	\$ 8,300,000	\$ 8,300,000	\$ -	0.0%
Federal Government	\$ 346,000	\$ 250,000	\$ (96,000)	-27.7%
Tuition and Fees	\$ 70,728,065	\$ 73,086,025	\$ 2,357,960	3.3%
Auxiliary/Enterprise	\$ 7,242,825	\$ 8,682,589	\$ 1,439,764	19.9%
Investment Revenue	\$ 4,300,000	\$ 4,300,000	\$ -	0.0%
Other Sources	\$ 2,709,853	\$ 1,435,700	\$ (1,274,153)	-47.0%
TOTAL	\$ 253,258,704	\$ 259,186,207	\$ 5,927,503	2.3%

Source: City Colleges of Chicago FY2007 Budget, p. 77, and FY2008 Budget, p. 62

Five-Year Revenue Trends: FY2004 and FY2008

Operating revenue funds are projected to increase by 24.7% since FY2004, from \$297.5 million to \$371.1 million. Federal funding, much of which is received by the City Colleges as restricted funds, is expected to increase by 31.1%. Tuition and fees are projected to increase by 26.1%, largely because of tuition increases phased in over three years between FY2005 to FY2007. State and local government funding will also increase, by 34.6% and 17.1% respectively. Auxiliary/enterprise revenues will decrease by 3.4%.

City Colleges Operating Funds				
Revenues FY2004 & FY2008				
Revenue Source	FY2004	FY2008	\$ Change	% Change
Local Government	\$ 94,123,375	\$ 110,230,793	\$ 16,107,418	17.1%
State Government	\$ 72,782,977	\$ 97,937,482	\$ 25,154,505	34.6%
Federal Government	\$ 54,088,942	\$ 70,900,546	\$ 16,811,604	31.1%
Tuition and Fees	\$ 57,972,468	\$ 73,086,025	\$ 15,113,557	26.1%
Auxiliary/Enterprise	\$ 8,992,347	\$ 8,682,589	\$ (309,758)	-3.4%
Investment Revenue	\$ 1,500,000	\$ 4,300,000	\$ 2,800,000	186.7%
Other Sources	\$ 1,222,291	\$ 1,835,700	\$ 613,409	50.2%
Fund Balance Appropriated	\$ 6,860,112	\$ 4,111,229	\$ (2,748,883)	-40.1%
TOTAL	\$ 297,542,512	\$ 371,084,364	\$ 73,541,852	24.7%

Sources: City Colleges FY2004 Budget, pp. CCC-5 and CCC-8, and City Colleges Budget Office

The next exhibit examines five-year trends for unrestricted funds only, that is, operating funds excluding grants. Overall, unrestricted fund revenues will increase by 24.1%, from \$208.9 million to \$259.2 million. The largest single percentage increase over the five-year period is in investment revenue, which is expected to increase by \$2.8 million or 186.7%. 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 Local Government (property tax) revenues, which will rise by 17.0% or \$15.6 million, and from Tuition and Fees revenue, which will rise by 26.1% or \$15.1 million. The increase in Tuition and Fees revenue is driven primarily by the FY2005, FY2006, and FY2007

tuition and fee rate increases. The only decrease will be in Auxiliary/Enterprise revenues, which will drop by 3.4%, from \$9.0 million to \$8.7 million.

City Colleges Revenues				
Unrestricted Funds: FY2004 & FY2008				
	FY2004	FY2008	\$ Change	% Change
Local Government	\$ 92,203,133	\$ 107,837,793	\$ 15,634,660	17.0%
State Government	\$ 43,005,950	\$ 55,294,100	\$ 12,288,150	28.6%
PPRT	\$ 4,000,000	\$ 8,300,000	\$ 4,300,000	107.5%
Federal Government	\$ 227,501	\$ 250,000	\$ 22,499	9.9%
Tuition and Fees	\$ 57,972,468	\$ 73,086,025	\$ 15,113,557	26.1%
Auxiliary/Enterprise	\$ 8,992,347	\$ 8,682,589	\$ (309,758)	-3.4%
Investment Revenue	\$ 1,500,000	\$ 4,300,000	\$ 2,800,000	186.7%
Other Sources	\$ 1,020,000	\$ 1,435,700	\$ 415,700	40.8%
TOTAL	\$ 208,921,399	\$ 259,186,207	\$ 50,264,808	24.1%

Source: City Colleges of Chicago FY2004 Budget, p. CCC-6, and FY2008 Budget, p. 62

City Colleges Tuition Rates

The Tuition Rates for the City Colleges will remain unchanged in FY2008 after three-year staggered tuition increases between 2004 and 2006 brought the per credit hour cost of attending City Colleges to \$72. In 2004 tuition increased from \$52 to \$62 per credit hour. It increased to \$67 per credit hour in 2005, and it increased to \$72 per credit hour beginning in the summer of 2006. Despite the three years of tuition increases, City Colleges still has a relatively inexpensive tuition per credit hour compared to the other regional community colleges. The exhibit below shows that comparison, based on Fall 2007 tuition charges.

FALL 2007 BASIC CREDIT HOUR TUITION FOR DISTRICT RESIDENTS			
College	Tuition	Fees	Total
South Suburban College	\$ 90.00	\$ 13.75	\$ 103.75
College of DuPage (Glen Ellyn)	\$ 82.25	\$ 20.75	\$ 103.00
Harper College (Palatine)	\$ 85.00	\$ 14.00	\$ 99.00
Elgin Community College (Elgin)	\$ 91.00	\$ -	\$ 91.00
College of Lake County	\$ 76.00	\$ 14.00	\$ 90.00
Prairie State College (Chicago Heights)	\$ 78.00	\$ 9.00	\$ 87.00
Oakton Community College (DesPlaines)	\$ 82.00	\$ 2.60	\$ 84.60
Morton College (Cicero)	\$ 64.00	\$ 16.00	\$ 80.00
City Colleges of Chicago	\$ 72.00	\$ -	\$ 72.00
Triton College (River Grove)	\$ 56.00	\$ 5.00	\$ 61.00

Note: Several colleges, including the City Colleges, assess per semester student activity fees.

These fees effectively increase the total per credit hour cost, but they could not be calculated for all colleges on a per credit hour basis. They are therefore not included in this chart.

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 FY2007, and will do so again in FY2008.⁴ 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.

Property Tax Revenues in FY2008

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 2007 will actually be received in 2008. The effect of these two issues is that property tax funds available during the City Colleges upcoming fiscal year (FY2008) will be drawn from part of tax year 2006 and part of tax year 2007.

In FY2008 the City Colleges will receive a net total of \$121.8 million in property tax revenues. The gross amount of tax levy revenues will be \$129.2 million. Of the gross amount, \$71.0 million will be derived from the estimated 2006 levy and \$58.3 million will be derived from the estimated 2007 levy. Net property tax revenues are expected to decrease by 7.8% or nearly \$10.3 million between FY2007 and FY2008.

Amount of Property Tax Revenues Received by City Colleges: FY2007 & FY2008		
	FY2007	FY2008
1/2 Estimated Gross 2005 Levy	\$ 69,151,735	
1/2 Estimated Gross 2006 Levy	\$ 70,969,561	
1/2 Estimated Gross 2006 Levy		\$ 70,969,561
1/2 Estimated Gross 2007 Levy		\$ 58,250,000
Subtotal: Gross Levy Funds Available	\$ 140,121,296	\$ 129,219,561
Back Taxes Revenue	\$ (3,152,729)	\$ (2,907,440)
Estimated Loss and Cost of Collection	\$ (4,904,245)	\$ (4,522,685)
TOTAL (Net Levy)	\$ 132,064,322	\$ 121,789,436
\$ Change FY2007 to FY2008		\$ (10,274,886)
% Change FY2007 to FY2008		-7.8%

Source: City Colleges FY2007 Budget, p. 70, and FY2008 Budget, p. 61

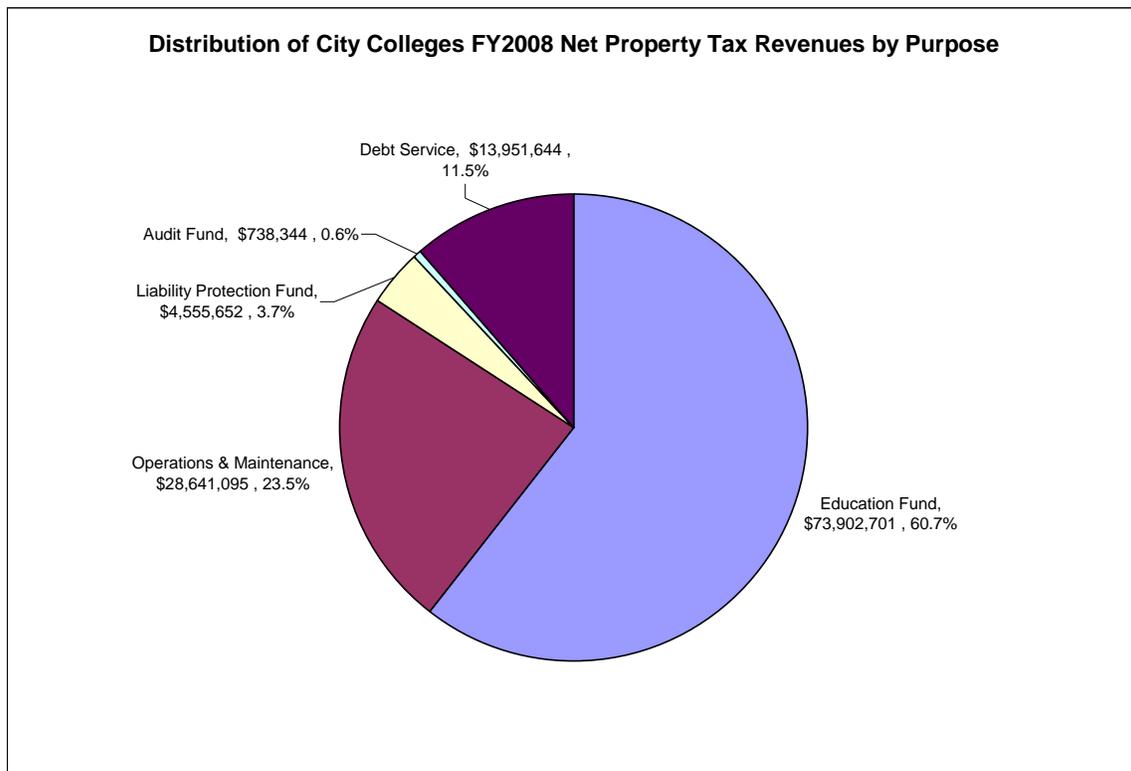
Approximately \$107.8 million of the total property tax revenues available in FY2008 (from tax years 2006 and 2007) are for operating funds that are subject to the State's tax

⁴ In FY2007 the City Colleges received an additional \$300,000 for programs to support minority students, but that money is not projected to be reallocated for FY2008.

cap law, which limits increases to 5% or inflation, whichever is less.⁵ The City Colleges' operating funds include the education fund, the operations and management fund, the auxiliary enterprise fund, the audit fund, and the liability, protection, and settlement fund. The \$107.8 million in capped funds available in FY2008 represents a \$4.3 million increase over the \$103.5 million in capped funds available in FY2007.

The District expects to increase the operating fund levy by 3.7% in tax year 2007 over the 2006 operating levy (2.5% for the levy increase and an additional 1.2% increase for new property growth). From tax year 2006 to tax year 2007, the operating funds levy will rise from \$112.3 million to \$116.5 million. The City Colleges will thereby again raise property taxes to the maximum amount allowed by the tax cap law.

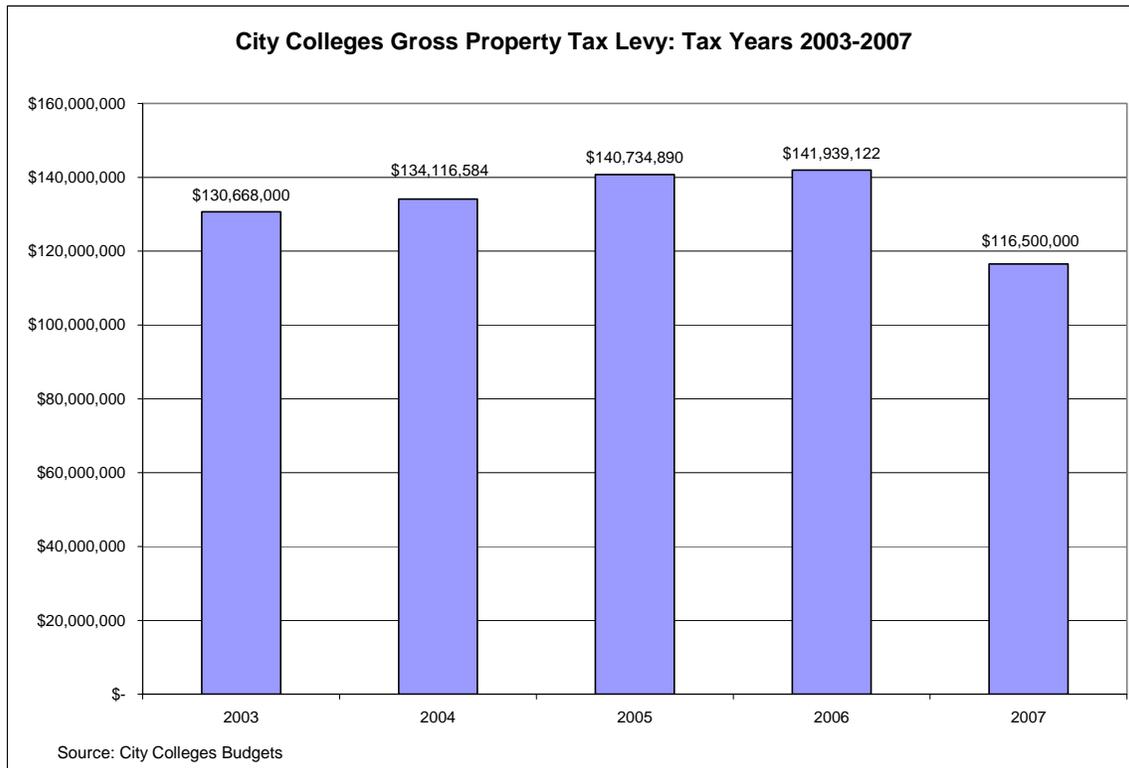
The distribution of total net City Colleges property tax revenues is shown below. Approximately 60.7% or \$73.9 million is earmarked for the education fund, which is the City Colleges' general operating fund. Over \$28.6 million or 23.5% of all net property tax revenues is earmarked for operations and maintenance and \$14.0 million or 11.5% of the total is reserved for debt service.



⁵ 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.

Gross Property Tax Levy

The exhibit below shows the amount of the gross property tax levy for all purposes for tax years 2003 through 2007. The gross property tax levy for tax year 2007 is estimated to drop by 17.9% from the previous year or from \$141.9 million to \$116.5 million. Since FY2003, the gross property tax levy will have decreased by 10.8% or \$14.2 million. It is important to note that the actual amount of property tax dollars City Colleges will receive in tax year 2007 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.



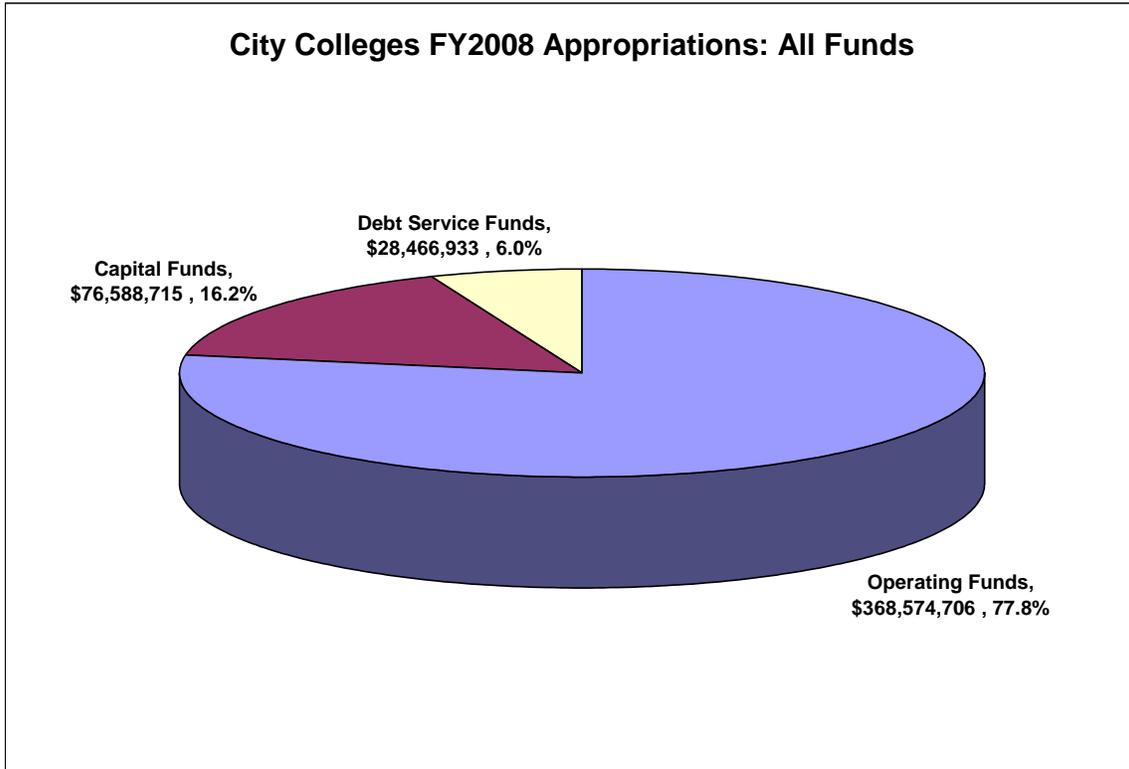
APPROPRIATION TRENDS

The following section presents information and trends regarding the City Colleges' appropriations and expenditures. The FY2008 City Colleges proposed budget will be approximately \$473.6 million, \$2.5 million or 0.5% less than in FY2007.

Total Appropriations for FY2008

Of the City Colleges' \$473.6 million FY2008 budget, approximately 77.8% will go to operating funds, 16.2% to the capital fund, and 6.0% to debt service. Operating funds finance employees' salaries and benefits, pay for utility costs, and fund all other day-to-day expenditures incurred by the City Colleges. In the City Colleges' budget, operating funds includes all funds except capital and debt service. The capital fund provides

money for all major building projects as well as the improvement of existing structures. The debt service funds pay for the City Colleges' outstanding bond obligations.



As the following table shows, from FY2007 to FY2008 the City Colleges' total budget is expected to decrease by 0.5%, or \$2.4 million. Only capital fund appropriations will increase, by 2.8% or \$2.1 million. Restricted operating fund appropriations will decrease by \$0.5 million or 0.5%.⁶ Unrestricted fund appropriations will drop by \$1.2 million or 0.5%, and debt service appropriations will fall by \$2.8 million or 8.9%.

City Colleges Appropriations				
All Funds: FY2007 & FY2008 (in \$ millions)				
Fund Type	FY2007	FY2008	\$ Change	% Change
Operating Funds				
Unrestricted	\$ 262.0	\$ 260.8	\$ (1.2)	-0.5%
Restricted	\$ 108.3	\$ 107.8	\$ (0.5)	-0.5%
Subtotal Operating	\$ 370.3	\$ 368.6	\$ (1.7)	-0.5%
Capital Fund	\$ 74.5	\$ 76.6	\$ 2.1	2.8%
Debt Service Funds	\$ 31.3	\$ 28.5	\$ (2.8)	-8.9%
Total	\$ 476.1	\$ 473.7	\$ (2.4)	-0.5%

Source: City Colleges Budget Office

⁶ 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.

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 FY2004.

The Proposed Operating Budget: Unrestricted and Restricted Funds

The FY2008 budget proposes a total operating funds appropriation of \$368.6 million, down \$1.8 million or 0.5% from proposed FY2007 appropriations of \$370.4 million. Contractual services will decrease by 20.2% or \$9.6 million in FY2008 because the Office of Information Technology (OIT) completed the implementation of technology enhancements (such as the implementation of PeopleSoft) that were paid for by a large, one-time appropriation in FY2007. The \$37.8 million appropriation for contractual services in FY2008 is a \$2.0 million or 5.6% increase over FY2006 appropriations of \$35.8 million.⁷ The City Colleges' use of contractual services is therefore growing over time, even though FY2008 appropriations are 20.2 % less than in FY2007. Utilities appropriations will decrease by 16.4%, and capital outlay costs paid out of operating funds will fall by 91.0% or \$4.2 million.

Salaries will rise by 6.6% or \$11.6 million. This increase includes contractually mandated salary increases of 4.0% to 4.5% for City Colleges employees. It also includes the salaries of key management personnel who had been operating as contract employees but whom OIT wanted to hire on a permanent basis, and the salaries of other contract personnel who are being hired on a permanent basis as part of a settlement with the United States Internal Revenue Service.⁸ Employee benefits appropriations will increase by 2.2% after falling by 17.1% in FY2007.

City Colleges Appropriations by Object of Expenditure				
All Operating Funds: FY2007 & FY2008				
Object	FY2007	FY2008	\$ Change	% Change
Salaries	\$ 175,643,009	\$ 187,203,444	\$ 11,560,435	6.6%
Employee Benefits	\$ 32,983,983	\$ 33,702,092	\$ 718,109	2.2%
Contractual Services	\$ 47,394,244	\$ 37,838,280	\$ (9,555,964)	-20.2%
Materials/Supplies	\$ 19,710,490	\$ 20,073,528	\$ 363,038	1.8%
Travel/Conferences	\$ 2,515,050	\$ 2,433,682	\$ (81,368)	-3.2%
Fixed Charges	\$ 2,026,559	\$ 2,909,395	\$ 882,836	43.6%
Utilities	\$ 13,321,426	\$ 11,135,250	\$ (2,186,176)	-16.4%
Capital Outlay	\$ 4,566,000	\$ 412,660	\$ (4,153,340)	-91.0%
Other	\$ 72,195,388	\$ 72,866,376	\$ 670,988	0.9%
TOTAL	\$ 370,356,149	\$ 368,574,707	\$ (1,781,442)	-0.5%

Source: City Colleges Budget Office and FY2008 Budget, pp. 62

Turning to operating funds by program, academic support appropriations will increase by 10.9% or \$3.4 million, and auxiliary/enterprise appropriations will increase by 14.6%, or

⁷ Ken Gotsch (City Colleges, Chief Financial Officer) and Phoebe Wood (City Colleges, Budget Director), in a meeting with the Civic Federation, June 22, 2007.

⁸ Ibid.

\$0.3 million. \$0.5 million will be appropriated for organized research in FY2008, which had been eliminated from the budget in FY2007. Scholarships, grants, and waivers appropriations will increase by 2.4% following a 23.0% increase in FY2006. Appropriations for public service will be cut by 26.1% or \$4.6 million, and institutional support appropriations will fall by 6.6% or \$4.8 million.

City Colleges Appropriations by Program				
All Operating Funds: FY2007 & FY2008				
Program	FY2007	FY2008	\$ Change	% Change
Instruction	\$ 111,379,645	\$ 114,548,050	\$ 3,168,405	2.8%
Academic Support	\$ 31,129,859	\$ 34,518,178	\$ 3,388,319	10.9%
Student Services	\$ 32,533,796	\$ 33,032,487	\$ 498,691	1.5%
Public Service	\$ 17,614,550	\$ 13,009,171	\$ (4,605,379)	-26.1%
Organized Research	\$ -	\$ 541,397	\$ 541,397	100.0%
Auxiliary/Enterprise	\$ 1,909,966	\$ 2,188,024	\$ 278,058	14.6%
Operations & Maintenance	\$ 39,849,814	\$ 38,102,255	\$ (1,747,559)	-4.4%
Institutional Support	\$ 72,888,207	\$ 68,074,042	\$ (4,814,165)	-6.6%
Scholarships, Grants	\$ 63,050,312	\$ 64,561,101	\$ 1,510,789	2.4%
TOTAL	\$ 370,356,149	\$ 368,574,705	\$ (1,781,444)	-0.5%

Source: 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.

Five-Year Operating Funds Trend: FY2004 and FY2008

While appropriations for instruction will increase modestly between the FY2004 and FY2008 proposed budgets, academic support expenditures will rise by 59.2% and student services will also increase by 59.2%. Auxiliary/enterprise appropriations will fall by 47.1% or \$1.9 million.

City Colleges Appropriations by Program All Operating Funds: FY2004 & FY2008				
Program	FY2004	FY2008	\$ Change	% Change
Instruction	\$ 105,509,613	\$ 114,548,050	\$ 9,038,437	8.6%
Academic Support	\$ 21,687,400	\$ 34,518,178	\$ 12,830,778	59.2%
Student Services	\$ 20,751,923	\$ 33,032,487	\$ 12,280,564	59.2%
Public Service	\$ 11,242,270	\$ 13,009,171	\$ 1,766,901	15.7%
Organized Research	\$ -	\$ 541,397	\$ 541,397	100.0%
Auxiliary/Enterprise	\$ 4,133,602	\$ 2,188,024	\$ (1,945,578)	-47.1%
Operations & Maintenance	\$ 33,790,161	\$ 38,102,255	\$ 4,312,094	12.8%
Institutional Support	\$ 60,108,209	\$ 68,074,042	\$ 7,965,833	13.3%
Scholarships, Grants	\$ 40,319,334	\$ 64,561,101	\$ 24,241,767	60.1%
TOTAL	\$ 297,542,512	\$ 368,574,705	\$ 71,032,193	23.9%

Source: City Colleges FY2004 Budget, pp. CCC-5 and CCC-8, and City Colleges Budget Office

The Proposed Operating Budget: Unrestricted Funds

In FY2008, unrestricted fund expenditures are projected to decrease by 0.5%, from a proposed FY2007 appropriation of \$262.1 million to \$260.8 million.

Appropriations for salaries will see the most significant dollar increase, rising by \$9.7 million or 6.5%. Materials and supplies will increase by 14.0% and employee benefits will increase by 3.9%. Appropriations paid out of unrestricted operating funds for most other objects will fall. Contractual services will decrease by 20.6% or \$8.6 million, capital outlay by 92.3% or \$2.7 million, utilities by 16.8% or \$2.2 million, and travel and conferences by 5.3% or \$0.1 million.

City Colleges Appropriations by Object of Expenditure Unrestricted Operating Funds: FY2007 & FY2008				
Object	FY2007	FY2008	\$ Change	% Change
Salaries	\$ 149,227,569	\$ 158,896,833	\$ 9,669,264	6.5%
Employee Benefits	\$ 27,517,259	\$ 28,602,779	\$ 1,085,520	3.9%
Contractual Services	\$ 42,039,967	\$ 33,399,583	\$ (8,640,384)	-20.6%
Materials/Supplies	\$ 12,615,461	\$ 14,376,100	\$ 1,760,639	14.0%
Travel/Conferences	\$ 1,567,412	\$ 1,483,881	\$ (83,531)	-5.3%
Fixed Charges	\$ 2,002,466	\$ 2,401,249	\$ 398,783	19.9%
Utilities	\$ 13,301,485	\$ 11,070,853	\$ (2,230,632)	-16.8%
Capital Outlay	\$ 2,907,751	\$ 223,050	\$ (2,684,701)	-92.3%
Other	\$ 10,876,778	\$ 10,333,450	\$ (543,328)	-5.0%
TOTAL	\$ 262,056,148	\$ 260,787,778	\$ (1,268,370)	-0.5%

Source: City Colleges Budget Office and FY2008 Budget, p. 62

Although unrestricted operating fund benefits appropriations will increase by 3.9% in FY2008, the CCC has succeeded in reducing these costs substantially in recent years. Employee benefits comprise employer Medicare and Social Security taxes, health and dental insurance costs, as well as life insurance. As a result of increased employee contributions for medical claims and contract negotiations with the Cook County College Teachers Union, Local 1600, the City Colleges reduced their overall expenditures on health insurance, resulting in a significant decrease in appropriations for aggregate

employee benefits.⁹ The FY2006 renegotiation of employee benefits included the following provisions:

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

The table below shows unrestricted operating fund appropriations by program. Academic support appropriations will increase by 9.6% or \$1.9 million and instruction will increase by 2.8% or 2.8 million. Public service appropriations from unrestricted funds will decrease in FY2008 by 37.7% or \$3.1 million and institutional support will fall by 5.7% or \$4.0 million.

City Colleges Appropriations by Program				
Unrestricted Operating Funds: FY2007 & FY2008				
Program	FY2007	FY2008	\$ Change	% Change
Instruction	\$ 99,175,822	\$ 101,995,403	\$ 2,819,581	2.8%
Academic Support	\$ 20,002,658	\$ 21,916,074	\$ 1,913,416	9.6%
Student Services	\$ 23,327,339	\$ 22,759,628	\$ (567,711)	-2.4%
Public Service	\$ 8,211,944	\$ 5,116,019	\$ (3,095,925)	-37.7%
Organized Research	\$ -	\$ 40,753	\$ 40,753	-
Auxiliary/Enterprise	\$ 1,773,104	\$ 2,153,193	\$ 380,089	21.4%
Operations & Maintenance	\$ 38,291,842	\$ 37,942,272	\$ (349,570)	-0.9%
Institutional Support	\$ 69,476,439	\$ 65,503,335	\$ (3,973,104)	-5.7%
Scholarships, Grants	\$ 1,797,000	\$ 3,361,100	\$ 1,564,100	87.0%
TOTAL	\$ 262,056,148	\$ 260,787,777	\$ (1,268,371)	-0.5%

Source: City Colleges Budget Office and FY2008 Budget, p. 62

Five-Year Unrestricted Fund Appropriation Trends

From FY2004 to FY2008, unrestricted expenditures will increase by 20.9%, from \$215.8 million to \$260.8 million. Academic support will increase by 55.2%, student services by 33.5%, operations and maintenance by 24.6%, institutional support by 21.9%, and instruction by 12.2%. Unrestricted operating fund appropriations for scholarships and grants (which constitutes a relatively small portion of the Colleges' total spending on scholarships and grants) will be almost six times more in FY2008 than in FY2004, jumping from \$0.5 million to \$3.4 million.

⁹ City Colleges of Chicago FY2007 Budget, p. 67.

City Colleges Appropriations by Program				
Unrestricted Operating Funds: FY2004 & FY2008				
Program	FY2004	FY2008	\$ Change	% Change
Instruction	\$ 90,936,085	\$ 101,995,403	\$ 11,059,318	12.2%
Academic Support	\$ 14,117,603	\$ 21,916,074	\$ 7,798,471	55.2%
Student Services	\$ 17,051,620	\$ 22,759,628	\$ 5,708,008	33.5%
Public Service	\$ 4,936,142	\$ 5,116,019	\$ 179,877	3.6%
Organized Research	\$ -	\$ 40,753	\$ 40,753	100.0%
Auxiliary/Enterprise	\$ 4,052,989	\$ 2,153,193	\$ (1,899,796)	-46.9%
Operations & Maintenance	\$ 30,442,523	\$ 37,942,272	\$ 7,499,749	24.6%
Institutional Support	\$ 53,750,859	\$ 65,503,335	\$ 11,752,476	21.9%
Scholarships, Grants	\$ 493,690	\$ 3,361,100	\$ 2,867,410	580.8%
TOTAL	\$ 215,781,511	\$ 260,787,777	\$ 45,006,266	20.9%

Source: City Colleges FY2004 Budget, p. CCC-5, and FY2008 Budget, p. 62

ENROLLMENT TRENDS

The City Colleges projects that enrollment will increase in FY2008 for the first time since FY2003. Total credit hours will increase by 8.6%, from an estimated 1,070,531 credit hours in FY2007 to a projected 1,162,620 in FY2008.¹⁰ Unfortunately, this information is not contained in the City Colleges budget book, nor was the Civic Federation able to obtain enrollment projections in terms of FTEs for FY2008. Since tuition and fees are a significant revenue source for the City Colleges, the Civic Federation strongly recommends that full enrollment projections be included in future budget books.

As the following table indicates, full-time equivalent student enrollment at the City Colleges decreased by 3.3% from FY2006 to FY2007, falling by 1,359 FTEs from 41,412 to 40,053.¹¹ Enrollment fell in all program groups except in three small programs: the pre-credit program (up 23.6%), the continuing education program (up 5.6%) and the manufacturing technology program (up 45.0%).

Enrollment in the largest program, credit classes, fell in FY2007 by 1.4%, from 20,950 to 20,648. Adult education decreased by 8.8% and vocational skills enrollment dropped by 5.9%. 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.¹²

¹⁰ Documents provided by the City Colleges budget office.

¹¹ Total enrollment excludes military enrollment, which has dropped sharply since FY2003 because the contracts between the armed forces and the City Colleges are being phased out. In FY2007 there were only 138 military FTEs.

¹² Communication from the City Colleges of Chicago Budget Office, August 29, 2005.

City Colleges FTE Enrollment: FY2006-FY2007				
Type	FY2006	FY2007	Change 06-07	% Change 06-07
Credit	20,950	20,648	(302)	-1.4%
Pre-Credit	800	989	189	23.6%
Continuing Education	546	588	42	7.7%
Adult Education	17,286	15,772	(1,514)	-8.8%
ABE	3,874	3,288	(586)	-15.1%
GED	1,727	1,502	(225)	-13.0%
ESL	11,685	10,982	(703)	-6.0%
Vocational Skills	1,174	1,105	(69)	-5.9%
Mfg. Technology	656	951	295	45.0%
TOTAL	41,412	40,053	(1,359)	-3.3%

Source: City Colleges FY2008 Budget, p. 263

The five-year enrollment trends tell a very similar story. Full-time equivalent student enrollment at the City Colleges decreased by 17.7% from FY2003 to 2007 from 48,678 to 40,053, a reduction of 8,625 FTEs. Continuing education decreased by 57.8% and adult education enrollment dropped by 33.1%.

The only programs which have experienced an enrollment increase over this five-year period are the pre-credit program, in which FTE enrollment rose by 19.2%, and the manufacturing technology program, in which FTE enrollment rose from 134 to 951.

City Colleges FTE Enrollment: FY2003-FY2007							
Type	FY2003	FY2004	FY2005	FY2006	FY2007	Change 02-06	% Change 02-06
Credit	21,403	22,007	22,135	20,950	20,648	(755)	-3.5%
Pre-Credit	830	813	794	800	989	159	19.2%
Continuing Education	1,393	1,213	665	546	588	(805)	-57.8%
Adult Education	23,558	22,258	19,857	17,286	15,772	(7786)	-33.1%
ABE	6,032	5,536	4,819	3,874	3,288	(2744)	-45.5%
GED	2,502	2,235	1,866	1,727	1,502	(1000)	-40.0%
ESL	15,024	14,488	13,173	11,685	10,982	(4042)	-26.9%
Vocational Skills	1,360	1,158	1,107	1,174	1,105	(255)	-18.8%
Mfg. Technology	134	419	312	656	951	817	609.7%
TOTAL	48,678	47,868	44,870	41,412	40,053	(8,625)	-17.7%

Source: City Colleges FY2008 Budget, p. 263

PERSONNEL

The following table shows that over the four-year period between FY2004 and FY2007, the number of City Colleges full-time employees increased by 9.8% or 164 employees, from 1,682 to 1,846. The number of FTE positions filled by temporary employees fell only slightly over the same period by 0.3% or 7 employees, from 2,222 to 2,215. No estimates were available for the number of FTEs projected in FY2008.

City Colleges of Chicago: Full-Time Equivalent Positions by Type: FY2004-FY2007							
Position Type	Status	FY2004	FY2005	FY2006	FY2007 Est.	Four Year # Difference	Four Year % Difference
Teaching Faculty	Full Time	524	548	588	569	45	8.6%
	Part Time	1,321	1,284	1,170	1,174	-147	-11.1%
Administrative Staff	Full Time	113	115	112	111	-2	-1.8%
	Part Time	0	0	0	0	0	0.0%
Professional Staff	Full Time	349	405	439	460	111	31.8%
	Part Time	173	208	340	423	250	144.5%
Civil Service	Full Time	696	704	715	706	10	1.4%
	Part Time	728	755	630	618	-110	-15.1%
Total	Full Time	1,682	1,772	1,854	1,846	164	9.8%
	Part Time	2,222	2,247	2,140	2,215	-7	-0.3%

Source: City Colleges Budget Office

Between FY2007 and FY2008, appropriations for employees' salaries from all operating funds will increase by \$11.6 million or 6.6%, from \$175.6 million to \$187.2 million. This increase includes contractually mandated salary increases of 4.0% to 4.5% for City Colleges employees. It also includes the salaries of key management personnel who had been operating as contract employees but whom OIT wanted to hire on a permanent basis, and the salaries of other contract personnel who are being hired on a permanent basis as part of a settlement with the IRS.¹³

City Colleges of Chicago: All Operating Funds Salary Appropriations FY2007 & FY2008				
	FY2007	FY2008	\$ Difference	% Difference
Salary Appropriations	\$ 175,643,009	\$ 187,203,444	\$ 11,560,435	6.6%

Source: City Colleges Budget Office

Between FY2007 and FY2008 employee insurance costs will increase by \$3.2 million or 12.9%, from \$24.4 million to \$27.5 million.¹⁴ Insurance premium increases for the City Colleges' PPO and HMO plans account for the majority of this increase.

City Colleges of Chicago: Employee Insurance Costs FY2007 & FY2008				
Benefit Type	FY2007 Est	FY2008	\$ Difference	% Difference
BCBS PPO	\$ 13,637,325	\$ 15,344,649	\$ 1,707,325	12.5%
Humana and BCBS HMOs	\$ 8,020,685	\$ 9,270,434	\$ 1,249,749	15.6%
CoreSource Dental	\$ 1,578,157	\$ 1,681,275	\$ 103,118	6.5%
Vision Service Plan	\$ 226,584	\$ 248,423	\$ 21,838	9.6%
Standard Life Insurance	\$ 860,616	\$ 928,102	\$ 67,486	7.8%
Unum Provident ST Disability	\$ 34,528	\$ 35,558	\$ 1,030	3.0%
Other	\$ 9,377	\$ 15,608	\$ 6,230	66.4%
TOTAL	\$ 24,357,895	\$ 27,508,441	\$ 3,150,546	12.9%

Source: City Colleges Budget Office

¹³ Ibid.

¹⁴ The chart on p. 19 indicates that appropriations for all employee benefits, including social security and Medicare, will increase by \$0.7 million or 2.2% over FY2007 appropriations. The comparison in that appropriations chart is based on budgeted figures. The City Colleges in fact spent significantly less than they had budgeted for employee benefits in FY2007. Therefore, even though the costs for health insurance are actually projected to increase by 12.9%, budgeted appropriations for employee benefits are projected to increase at a much lower rate.

UNRESERVED, UNDESIGNATED FUND BALANCE

The Government Finance Officers Association recommends that general purpose governments maintain an unreserved fund balance of no less than 5% to 15% of General Fund operating revenues or between one and two months of operating expenditures.¹⁵ 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
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	\$ 302,304,267	24.3%
FY2006	\$ 63,823,389	\$ 316,273,616	20.2%

Source: City Colleges CAFRs

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

Unrestricted Fund Balance Ratio

Between FY2002 and FY2006, the CCC General Operating Funds' unrestricted fund balance increased substantially from 10.7% or \$30.1 million to 20.2% of operating expenses or \$63.8 million. However, it declined between FY2005 and FY2006 by approximately \$9.5 million. For all five years analyzed, unrestricted fund balance ratio has been above the 5% minimum recommended by the GFOA.

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

DEBT TRENDS

The Civic Federation has employed two measures of debt for the 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

¹⁵ 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.

revenue over the course of a normal budgetary period to meet its expenditures and prevent deficits.

Short-term debt includes all current liabilities reported for Governmental and Business-Type activities of the District. The exhibit below presents City Colleges short-term debt trends for Fiscal Years 2002 through 2006. During that five-year period, the amount of short-term debt rose by \$36.3 million or 35.5%. This represents an increase from \$102.4 million to \$138.7 million.¹⁶ Much of the increase occurred between FY2002 and FY2003, when short-term debt rose by 28.2% or \$28.8 million. The five-year rate of increase is large and bears watching. However, the amount of current liabilities have remained relatively steady over the last three years.

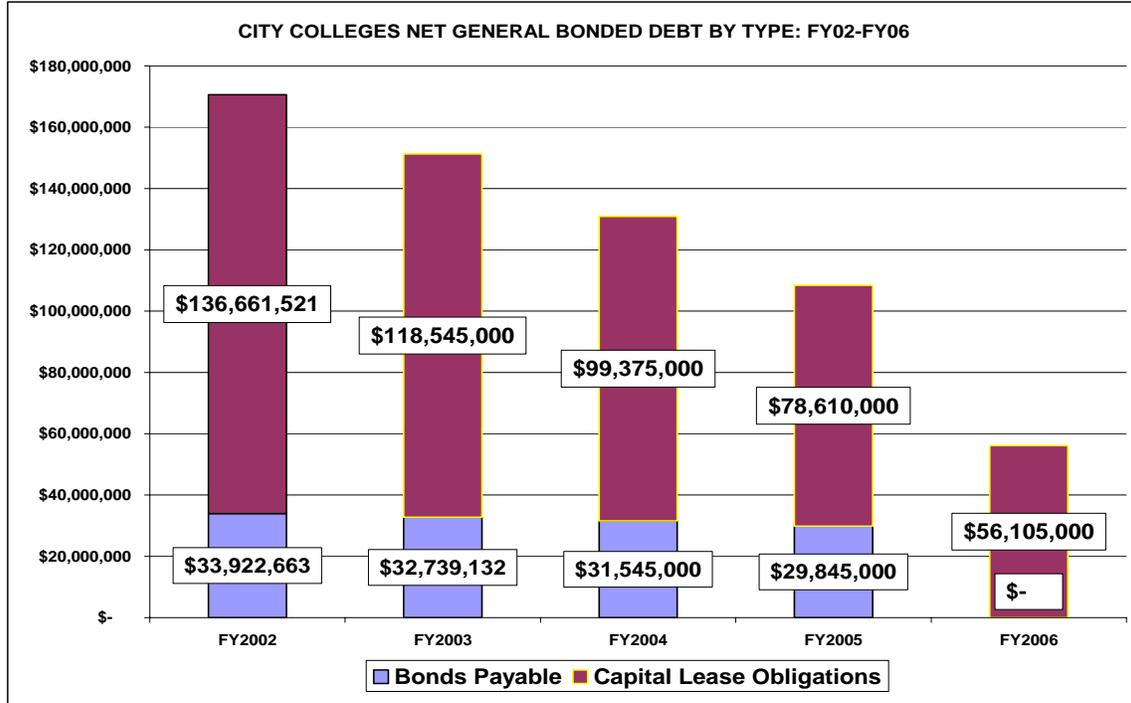
CITY COLLEGES SHORT-TERM DEBT		
Fiscal Year	Short-Term Debt	% Change
FY2002	\$ 102,407,372
FY2003	\$ 131,301,725	28.2%
FY2004	\$ 130,742,987	-0.4%
FY2005	\$ 136,163,783	4.1%
FY2006	\$ 138,747,724	1.9%
5-Year Increase	\$ 36,340,352	35.5%

Source: City Colleges CAFRs, various years

Net General Bonded Debt Trends

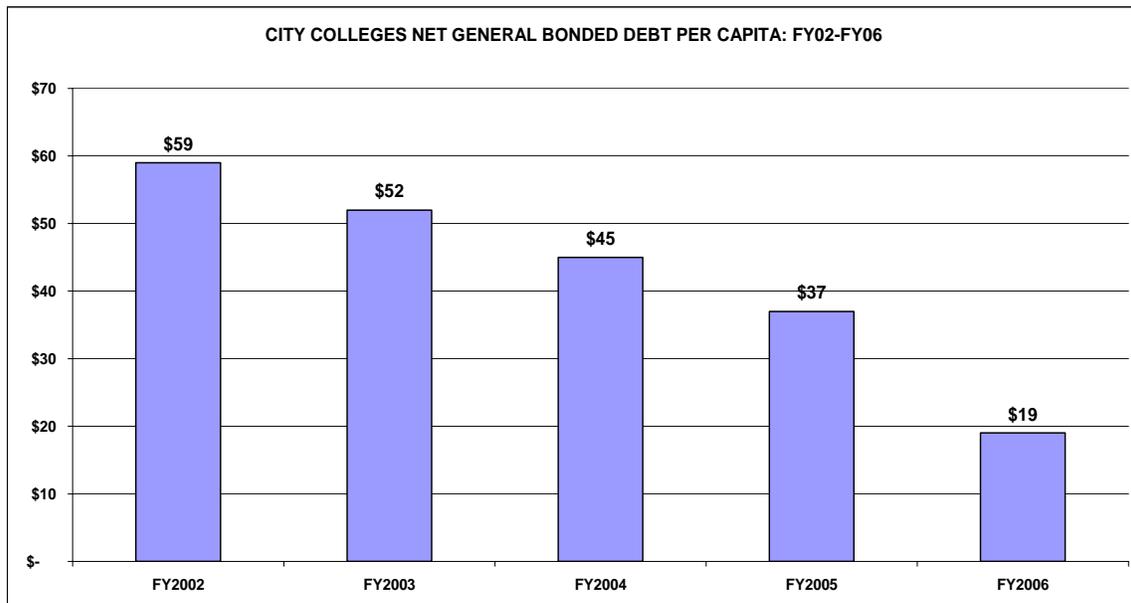
Net general bonded debt includes capital lease obligations with the Chicago Public Building Commission and revenue bonds payable. The exhibit below shows the breakdown of capital lease obligations versus bonds payable for FY2002 through FY2006. During that five-year period, the total debt burden declined from \$170.5 million in FY2002 to \$56.1 million in FY2006. In FY2006, 100% of net general bonded debt consisted of capital lease obligations.

¹⁶ Information obtained from *City Colleges Comprehensive Annual Reports*, various years.



Source: City Colleges FY2006 CAFR, p. 58

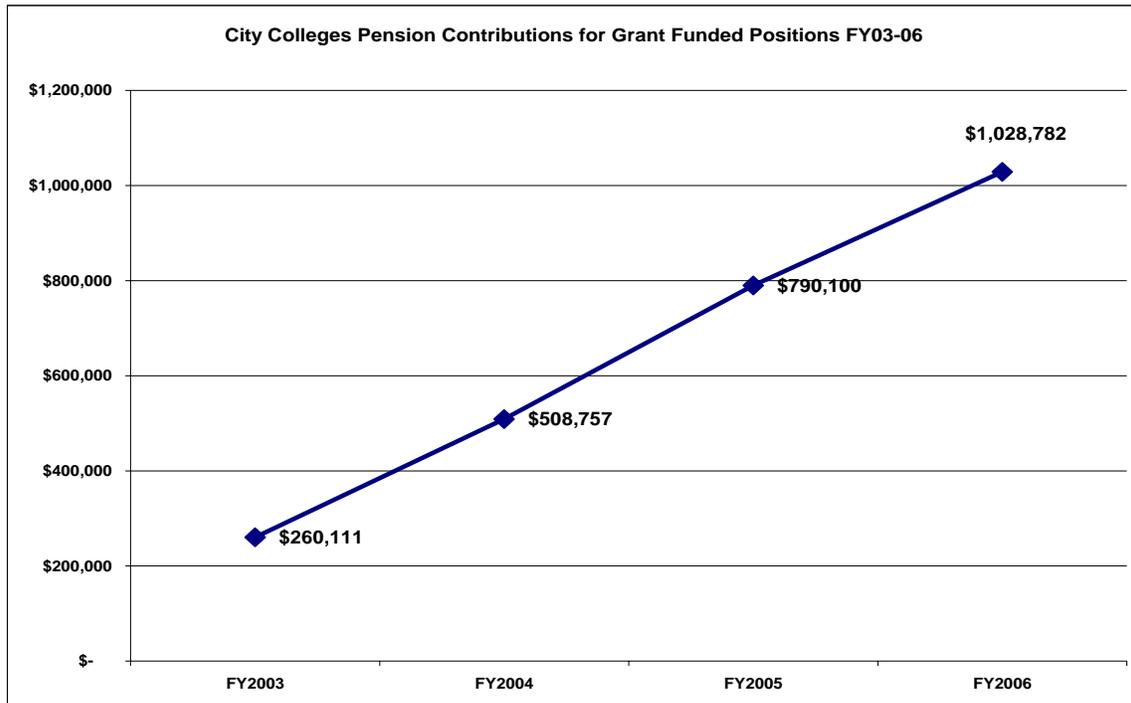
The next exhibit presents City Colleges net general bonded debt per capita figures for FY2002 to FY2006. This indicator is a measure of a government’s ability to maintain its current financial policies. Increases bear watching as a potential sign of increasing financial risk. Overall, long-term City Colleges’ debt per capita decreased by 67.8% between FY2002 and FY2006 from \$59 to \$19. This is a positive long-term trend.



Source: City Colleges FY2006 CAFR, p. 58

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 FY2006, the State of Illinois made employer contributions on behalf of the City Colleges at the actuarially determined rate of 10.77% 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 \$1,028,782 in FY2006.¹⁷ This amount has been rising steadily over time, increasing by 295.5% since FY2003.



CIVIC FEDERATION RECOMMENDATIONS

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

Budget Format Recommendations

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

¹⁷ *City Colleges of Chicago Comprehensive Annual Financial Report for the Year Ended June 30, 2006*, p. 45.

- If there is a gap between revenues and expenditures, the budget should include an easily understood description of the reasons for this gap and the steps taken to eliminate it.
- The budget should include a discussion of the District's gross property tax levy for all funds and a presentation of five-year trends for the gross property tax levy.
- The budget should include summary tables that provide information about all operating funds (including grants) by object and by program in order to provide a complete picture of projected spending for the new fiscal year.
- The budget should contain comparable five-year personnel trends 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 budget should include projections for enrollment by FTE and credit hour for the current fiscal year.
- Projected expenditures for the different types of benefits such as health insurance, pensions, or life insurance should be included in the budget's summary tables.
- There should be discussions of savings generated from the implementation of efficiencies, business processes, or joint purchasing efforts such as the multi-government collaboration on the purchase of prescription drugs.

Capital Plan Improvements

In order to improve the capital planning process, we recommend that the District consider providing fiscal information about the impact of capital spending on the annual operating budget for each college or each project.

Implement a Formal Long Term Planning Process

The Civic Federation urges the City Colleges to build upon the management improvements it is implementing by developing a formal long-term financial plan. This would include the development and publication of a plan that is shared with and/or reviewed by key policymakers and stakeholders. By linking policy and program priorities to the financial resources that are 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.

Develop a Performance Measurement System for Administrative and Support Functions

All governments, including the City Colleges, should develop and utilize performance measures that are linked to specific program goals and objectives. The measures adopted

should be valid, reliable, and verifiable. A high-performing performance measurement system includes measures that provide for comparisons of outputs and outcomes over time, facilitate managerial decision making, are limited in number, and are designed to help motivate staff to contribute meaningfully to organizational efficiency.

The Civic Federation recognizes that it is difficult to implement performance metrics for classroom instruction. However, the City Colleges could and should move to develop a performance measurement system for administrative and support service functions and programs such as facilities management and central administration. The information gleaned from the Annual Program and Service Analysis process should be useful in developing such measures. We emphasize that performance measures that are developed should be made publicly available in the budget or related financial documents.

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.