The Civic Federation

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CITY COLLEGES OF CHICAGO
FY2019 TENTATIVE BUDGET:
Analysis and Recommendations

July 2, 2018

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EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges of Chicago FY2019 Tentative Annual Operating Budget totaling $436.1 million because it is a reasonable plan that continues to stabilize the District's finances following the second full year of state funding since fiscal year 2015.

The District's FY2019 total budget will decrease by 0.2%, or approximately $700,000, below the FY2018 adopted budget of $436.8 million. This is primarily due to a $12.2 million decline in capital spending. The tentative FY2019 budget will modestly increase the property tax levy and reinstitute a per-credit hour based tuition structure for part-time students while maintaining a flat-rate tuition structure for full-time students. This budget also follows through on judicious measures to reduce the District's real estate footprint and stabilize its fund balance reserves by completing the sale of its Loop headquarters.

The FY2019 budget for City Colleges is the second budget since FY2015 in which the District will receive a full year of funding from the State of Illinois. In FY2018 the District received funding at 90% of the FY2015 level of funding. In FY2019 state funding will be 1.2% higher than FY2018. In FY2016 and FY2017 City Colleges faced the financial challenge of receiving only a fraction of the State funding it expected. In order for City Colleges to balance these budgets it relied on short-term solutions, such as using its cash reserves, delaying capital expenses, not filling vacant positions and instituting a hiring freeze instead of relying on property tax hikes and tuition increases.

Although the District developed a plan in FY2018 to stabilize its financial position by reducing expenses and rebuilding its reserves, the damage caused by the State operating without a full-year budget for two years requires a sound multi-year plan by the District to restore long-term financial and operational health. While the District is expecting its first year of positive growth in student enrollment in a decade, complicating the District's recovery is the fact that the tentative FY2019 budget relies on State funding that is still below the pre-budget crisis FY2015 level of funding. The District is also in contract negotiations with its labor unions, which should lead to reduced operating costs but might also add additional strain on the District's finances in future years.

The Civic Federation offers the following **key findings** on the City Colleges FY2019 tentative budget:

- City Colleges is projected to receive a full-year of State funding in FY2019. This is the second full-year of funding from the State since FY2015. However, the FY2019 level of funding is is still less than FY2015 State funding levels;
- Appropriations for all funds in FY2019 total $436.1 million. This is a 0.2%, or approximately a $700,000, decrease from FY2018 adopted appropriations of $436.8 million;
- The unrestricted operating budget will total $276.6 million in FY2019. This is a 1.9% or $5.1 million, increase above the adopted FY2018 unrestricted operating budget of nearly $271.5 million;[1]
- FY2019 net property tax revenue will increase modestly by 1.2% to $121.8 million;
- Tuition and fee revenue is projected to increase by $4.4 million, or 4.6% above the FY2018 adopted budget;
- Between FY2017 and FY2018, appropriations for employees' salaries in the unrestricted operating funds will increase by $5.3 million, or 3.1%, from $172.0 million to $177.3 million;
- Between the FY2018 adopted budget and tentative FY2019 budget there will be a net increase of 171 total full-time equivalent positions, or a 5.2% increase in total FTEs; and

[1] Unrestricted operating fund budget includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and Audit Fund. Not the Auxiliary/Enterprise Fund.

- Student enrollment decreased between FY2017 and FY2018 by 1,175 FTE students, or 3.3%, shrinking from 35,274 to 34,099 FTEs, but is projected to increase by 4.6% in FY2019.[2]

The Civic Federation **supports** several elements of the FY2019 City Colleges tentative budget:

- Dedicating funds from the sale of the District headquarters to rebuilding reserves;
- Implementing prudent cost containment strategies to stabilize the financial position of the District;
- Only modestly increasing the property tax levy $121.8 million;
- Reinstituting a per credit hour tuition structure for part-time students while maintaining a flat-rate tuition structure for full-time students; and
- Developing a new strategic plan to help guide future decision-making.

The Civic Federation has the following **concerns** related to City Colleges' tentative FY2019 budget:

- The ongoing instability of future state funding for institutions of higher learning in Illinois;
- The outcome of ongoing labor negotiations may place additional financial burden on the District in future years; and
- Incorporating new employees' normal pension costs into future budgets may add additional strain on the District's finances.

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

- Incorporate maximum stakeholder input into the new strategic plan that is being developed;
- Provide greater detail on the number of full-time equivalent employees across all funds;
- Develop a tuition and fee policy and explore indexing tuition and fees;
- Improve the fund balance policy in the unrestricted funds that is approved by the City Colleges' Board of Trustees;
- Continue to advocate for the State of Illinois to change the community college equalization formula to more fairly fund City Colleges and other community colleges located in counties subject to the Property Tax Extension Limitation Law;
- Improve transparency and accountability by live streaming board and committee meetings;
- Institutionalize the long-term financial planning process by including more frequent updates and enhance opportunities for stakeholder input in financial planning decisions; and
- Provide more frequent updates on the District's strategic plan while maximizing stakeholder input.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the City Colleges of Chicago FY2019 Tentative Annual Operating Budget totaling $436.1 million because it is a reasonable plan that continues to stabilize the District's finances following the second full-year of state funding since fiscal year 2015.

The District's FY2019 total budget will decrease by 0.2%, or approximately $700,000, below the FY2018 adopted budget of $436.8 million. This is primarily due to a $12.2 million decline in capital spending. The tentative FY2019 budget will modestly increase the property tax levy and reinstitute a per-credit hour based tuition structure for part-time students while maintaining a flat-rate tuition structure for full-time students. This budget also follows through on judicious

[2] City Colleges of Chicago, FY2019 Tentative Annual Operating Budget, p. 6.

measures to reduce the District's real estate footprint and stabilize its fund balance reserves by completing the sale of its Loop headquarters.

The FY2019 budget for City Colleges is the second budget since FY2015 in which the District will receive a full year of funding from the State of Illinois. In FY2018 the District received funding at 90% of the FY2015 level of funding. In FY2019 state funding will be 1.2% higher than FY2018. In FY2016 and FY2017 City Colleges faced the financial challenge of receiving only a fraction of the State funding it expected. In order for City Colleges to balance these budgets it relied on short-term solutions, such as using its cash reserves, delaying capital expenses, not filling vacant positions and instituting a hiring freeze instead of relying on property tax hikes and tuition increases.

Although the District developed a plan in FY2018 to stabilize its financial position by reducing expenses and rebuilding its reserves, the damage caused by the State operating without a full-year budget for two years requires a sound multi-year plan by the District to restore long-term financial and operational health. While the District is expecting its first year of positive growth in student enrollment in a decade, complicating the District's recovery is the fact that the the tentative FY2019 budget relies on State funding that is still below the pre-budget crisis FY2015 level of funding. The District is also in contract negotiations with its labor unions, which should lead to reduced operating costs but might also add additional strain on the District's finances in future years.

Issues the Civic Federation Supports

The following section details key issues that the Civic Federation supports in the City Colleges FY2019 Tentative Annual Operating Budget.

Dedicating Funds From the Sale of the District Headquarters to Rebuilding Reserves

The fund balance ratio for City Colleges averaged 37.8% between FY2008 and FY2017, well above the 16.7% ratio recommended by the Government Finance Officers Association (GFOA) and the District's own policy guidelines. However, in the three most recent years of audited financial data, the unrestricted fund balance ratio has declined significantly. Between FY2015 and FY2016 the fund balance ratio saw a significant decline to a ratio of only 4.8%. The majority of the decline was due to the District drawing down its reserves by $59.0 million to cover an operating loss at the District driven by the State budget impasse.[3] In FY2017 the fund balance fell to negative $37.7 million. The net position that year fell significantly due to a decrease in federal grants, a lack of sufficient State funding and a decrease in tuition revenue.[4] Additionally, the State of Illinois approved supplemental funding to community colleges for FY2017 too late for City Colleges to recognize it as revenue that year, so an additional $31.4 million from the State will be recognized in FY2018.

On June 28, 2017 City Colleges of Chicago Chancellor Juan Salgado announced that it would sell its downtown headquarters during the 2018 fiscal year. The headquarters was only 33%

[3] Information provided by City Colleges of Chicago Finance Department on May 30, 2017 and July 13, 2017.
[4] City Colleges of Chicago, FY2017 CAFR, p. 4.

occupied. The move will help facilitate the shifting of staff from the central office to existing space at the seven colleges and five satellite campuses, which will move staff closer to students, reduce overhead costs and help rebuild its reserves. The District will also lease office space for certain administrative staff in the Loop. On January 11, 2018 the Board of Trustees voted to authorize the sale of the building for a total of $34.5 million. The District expects to finalize the $34 million sale of the central office building after the start of the 2019 fiscal year and dedicate the proceeds to rebuilding its fund balance.[5]

A healthy fund balance for contingencies, such as unexpected revenue shortfalls, is particularly important at a time when the State of Illinois' finances are precarious and future State funding is uncertain. The Civic Federation commends the District for its commitment to replenish its reserves by using proceeds from the sale of its central office located in downtown Chicago.[6]

Implementing Cost Containment Strategies

Two years of underfunding by the State of Illinois in FY2016 and FY2017 led to the depletion of City Colleges' reserves. In addition, the District's student enrollment declined significantly in recent years due in part to reduced and delayed MAP grant funding and an improving economy.

In an effort to continue to stabilize the District's finances and improve upon the student gains made in recent years, the District has implemented a number of prudent measures to balance the FY2019 budget, stabilize its finances, rebuild its reserves and focus on student outcomes by implementing the following strategies and efficiencies:[7]

- Reducing direct overhead and better utilizing existing space at the college campuses by finalizing the sale of its central office headquarters;
- Increasing financial resources through foundational support;
- Better managing student debt with the goal of boosting retention;
- Aggressively managing hiring and turnover; and
- Consolidating and managing part-time salary pools.[8]

The Civic Federation commends City Colleges for effectively managing its limited financial resources and working to stabilize its financial position.

Only Modestly Increasing the Property Tax Levy

City Colleges proposes to modestly increase its net property tax revenues by 1.2% from the previous year at $121.8 million. The projected increase in local tax revenues is due to an increase in the City Colleges property tax levy to capture revenue from new property.[9] The levy on new property is not an increase for all taxpayers because the taxes will only increase for taxpayers with new or improved property. The Civic Federation commends the District for its continued fiscal discipline at a time of ongoing financial hardship for many Chicago property taxpayers and

[5] Information provided by City Colleges of Chicago Finance Department on June 4, 2018.
[6] See recommendation to improve fund balance policy on page 9 of this report.
[7] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 3-4.
[8] City Colleges of Chicago Budget Briefing, June 4, 2018, p. 13.
[9] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 6.

when the City of Chicago and Chicago Public Schools, which access the same tax base, have increased their levies significantly in recent years.

Implementing a Hybrid Tuition Model

In FY2016 City Colleges transitioned from a per-credit-hour tuition and fee based revenue structure to a tier-based cost of attendance model, which included tuition and mandatory fees, based on a student's part-time or full-time enrollment status, effective in the fall 2015 semester. This change made the City Colleges tuition rate charged to part-time students the highest compared to other Northeastern Illinois community colleges. Prior to the change in tuition structure adopted as part of the FY2016 budget, the District had not increased tuition rates for the previous four years despite rising costs and reduced funding from other revenue sources.

In April 2018, the City College's Board of Trustees approved a new tuition structure that changed the tuition rate from a tier-based rate structure to a hybrid tuition rate structure.[10] Beginning with the summer 2018 semester, part-time students enrolled in fewer than 12 credit hours are now charged a rate of $146 per credit hour and full-time students enrolled in 12 credit hours or more of coursework pay a flat rate of $1,752. The new tuition structure charges part-time students the same rate per credit hour as full-time students enrolled in 12 credit hours.

The Civic Federation commends the District for re-evaluating its tuition structure and making the decision to charge part-time students the same rate per credit hour as full-time students taking 12 credit hours thereby eliminating a disincentive for part-time students. The Federation is also pleased the District incorporated student input and provided ample notice to student registering for the summer 2018 semester. The Federation encourages the District to re-evaluate its tuition structure on an annual basis going forward to avoid uneven changes in its tuition rates.

Developing a New Strategic Plan

City Colleges of Chicago is in the planning stages for releasing its new strategic plan in 2019. The District's *Five Year Plan: Strategic Initiatives and Objectives 2013-2018* helped guide the District during its *Reinvention* under former Chancellor Cheryl Hyman by setting a number of goals pertaining to graduation rates, enrollment, transfer rates and other measures including financial goals. With the end of the current strategic plan in 2018, the Federation is pleased the District is already in the process of developing a new strategic plan to help guide the District in coming years as it faces reduced levels of state funding and challenges with student enrollment growth.

Civic Federation Concerns

The following section details the Civic Federation's concerns with the City Colleges FY2019 Tentative Annual Operating Budget.

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[10] City Colleges of Chicago Board of Trustees, Board Resolution 33420.

Instability of Future State Funding

The State of Illinois adopted its second full-year state budget for FY2019 following a two-year budget impasse that created a high level of uncertainty for many local governments and service providers across the State. During the State budget impasse City Colleges did not receive any State funding during FY2016 until April 2016, when the Illinois House and Senate passed a stopgap FY2016 appropriation bill authorizing General Funds payments of approximately $600 million for higher education.[11] The measure included $14.4 million for City Colleges, which was only a quarter of the funding originally projected for the District by the Illinois Community College Board (ICCB). The District received an additional $22.5 million in ICCB funding as part of the FY2017 stopgap funding measure approved by the Illinois General Assembly and signed by Governor Bruce Rauner on June 30, 2016.[12] In the FY2017 budget, State funding for all funds was projected to decrease by $7.5 million, or 11.8%, from the budgeted level of $63.5 million in FY2016 to $56.0 million in FY2017. While the Federation was concerned about the State's budget impasse continuing, it is important to note that the District planned for the possibility of receiving no additional funding in FY2016 or FY2017. The District's plan included using additional reserve funds, delaying investments in capital improvements and other measures in order to balance its budget.[13] However, these measures and the state budget impasse came with consequences. In August 2016 S&P Global Ratings lowered City Colleges credit rating two notches to A+ from AA and assigned a negative outlook and again lowered its credit rating in April 2017 four notches from A+ to BBB with a negative outlook.[14] Fitch downgraded District bonds one notch to A+ from AA- in March 2017.

The budget austerity measures the District implemented were a reasonable response to a funding emergency, and the Civic Federation supported them. However, these austerity measures impacted the District's financial stability by depleting its reserves and delaying much needed capital investment and are an ongoing cause for concern.

Higher education funding was one of the areas hardest hit by the State of Illinois' two-year budget impasse. City Colleges estimates it lost approximately $40 million in State funding over the two-year State budget impasse.[15] The State's 2018 fiscal year budget reduced spending on public universities and community colleges by 10% from FY2015 levels and the FY2019 budget only increased City Colleges funding by 1.2% over FY2018. While two years of greater budgetary certainty for local governments and service providers throughout the State is a positive, the challenges facing Illinois and its local governments are far from over. The State's 2019 fiscal year budget that was signed into law did not address the State's unpaid bill backlog of approximately $7.5 billion and continues to face enormous unfunded pension obligations of approximately $130 billion.

[11] 99th Illinois General Assembly, Public Act 99-0502, signed into law by the Governor on April 25, 2016.
[12] Information provided by City Colleges of Chicago, Finance Department, July 1, 2016.
[13] City Colleges of Chicago, "Review of the Preliminary FY2017 Budget." June 1, 2016.
[14] Yvette Shields, "Chicago City Colleges Hit With Downgrade," *The Bond Buyer*, August 22, 2016, (last visited on July 28, 2017); and Yvette Shields, "S&P pounds ratings of Illinois public universities," *The Bond Buyer*, April 21, 2017, (last accessed July 28, 2017).
[15] City Colleges of Chicago, FY2018 Budget Briefing, p. 6, July 13, 2017.

While City Colleges has taken necessary steps to balance its FY2019 budget and plans to rebuild its reserve fund, challenges remain. The Civic Federation is concerned that instability at the State level could continue to impact funding of higher education institutions in future years.

Ongoing Labor Negotiations

City Colleges of Chicago is in the process of renegotiating several of its contracts with its labor partners. The District is prudently planning for a $4 million increase across all bargaining units in FY2019.[16] However, the District will face increased financial pressure in future years due to its debt service expenses, reduced funding from the State, growing health care costs and the possible shifting of pension costs from the State to local governments. With personnel related costs making up the largest share of the District's expenses, the collective bargaining agreements are the ideal place to begin identifying ways to better manage personnel related expenses. It is imperative that the District control labor costs to the greatest extent possible.

Incorporating Potential Costs of Tier 3 Employee Pensions into Future Budgets

As part of the FY2018 State budget adopted by the Illinois General Assembly on July 7, 2017, a new Tier 3 level of benefits for new employees in the State Universities Retirement System (SURS) and other State sponsored pension plans was established. The changes were included in the budget implementation bill. The normal cost of pensions for this new tier of benefits will be shifted to school districts and universities. It is still too soon to fully know the impact Tier 3 employees will have on City Colleges of Chicago because it has uncertainties associated with the choices Tier II employees and new employees make with regard to their pensions. Additionally, according to the State Universities Retirement System (SURS), clarifying language needs to be enacted via a trailer bill in order for the pension funds to implement the optional hybrid plan.[17] No such bill has yet passed the General Assembly.

While City Colleges has prudently planned for the possible phase in of pension normal costs in previous years' budgets, the two-year State budget impasse has dramatically impaired the District's financial position and the Civic Federation recommends that the District carefully evaluate the possible impact the cost-shifting of pensions expenses may have on future years' budgets.

Civic Federation Recommendations

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

Incorporate Maximum Stakeholder Input into New Strategic Plan Before its Public Release

City Colleges will introduce a new strategic plan in 2019. The District states that its strategic plan will be comprehensive in scope, incorporated into the annual budget and is an ongoing

[16] City Colleges of Chicago, FY2019 Budget Briefing Packet, p. 13, June 4, 2018.

[17] State Universities Retirement System, Update on Optional Hybrid Plan, posted April 2, 2018. http://www.surs.com/news-article/040218/update-optional-hybrid-plan (last accessed June 21, 2018).

process throughout the year.[18] The District also clearly identifies its goals and strategies in the annual budget book.[19] However, the District provides little detail on its strategic planning process and how it incorporates stakeholder input into its strategic plan. The Civic Federation recommends the District incorporate greater stakeholder input into its strategic plan by holding multiple public meetings throughout the District in order to garner greater input from students, faculty, staff and the greater public. The Federation further recommends that the District publicly release its strategic plan as a separate document from the budget.

Provide Greater Detail on Personnel Across All Funds

The City Colleges of Chicago currently provides a satisfactory level of detail on its staffing levels in its annual budget book by publishing three years of data on the number of full-time equivalent employees by position in the unrestricted funds. The salaries and benefits appropriated for employees in the unrestricted operating funds total nearly $218 million. However appropriations for salaries and benefits for all funds total nearly $235.6 million, or $17.7 million greater than the unrestricted operating funds.

The Civic Federation recommends that the District provide a greater level of detail on the number of full-time equivalent positions for all funds and provide a minimum of five years of data.

Develop a Tuition and Fee Policy and Explore Indexing Tuition and Fees

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

Improve the Fund Balance Policy

On December 1, 2016, the City Colleges' Board of Trustees adopted Resolution Number 33109, which replaced Resolution Number 29253.[21] Resolution 33109 allowed for a minor change in policy language that unrestricted fund balance over 3% of the unrestricted funds actual expenses shall be transferred to the restricted purpose Operations and Maintenance Fund during the annual close of the fiscal year without board approval. Resolution 29253 required the Board's approval for projects deemed necessary by the Officers of the District. However, both resolutions essentially state that the District should be effectively maintaining a 3% minimum unrestricted funds fund balance.[22] The Civic Federation supports this policy. However, the Civic Federation

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[18] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 31.
[19] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 11.
[20] Government Finance Officers Association, "Establishing Government Charges and Fees," http://www.gfoa.org/establishing-government-charges-and-fees (last visited July 2, 2014).
[21] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 29; and City Colleges of Chicago Board of Trustees Resolution Number 33109.
[22] See the resolution on the City Colleges of Chicago's website at http://apps.ccc.edu/brpublic/2009/feb/29253.pdf.

urges City Colleges to establish a formal fund balance policy for its unrestricted funds that meets the standard proposed by the Government Finance Officers Association (GFOA) and that is approved by the City Colleges' Board of Trustees.

The GFOA recommends "at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." City Colleges is a special purpose, not a general purpose government, but its size and the relative instability of its revenue stream, particularly State funding, make it prudent for the District to maintain adequate reserves. The GFOA statement adds that each unit of government should adopt a formal policy that considers the unit's own specific circumstances and that a smaller fund balance ratio may be appropriate for the largest governments.[23]

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

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

The current formula on its own would have provided City Colleges with almost no revenue in FY2019. City Colleges received $14.6 million in supplemental State funds in FY2014, $14.1 million in FY2015, $3.7 million in FY2016, $13.8 million in FY2017, $12.4 in FY2018 and only a slight increase in FY2019 to $12.6 million.[24] The Civic Federation supports City Colleges receiving supplemental funds, but urges the District to advocate for the State to rectify the situation that requires the District to seek such funds on an annual basis rather than receiving a reasonable annual allocation. The Civic Federation supports a recalculation of the State community college equalization formula. We also urge the Governor and the Illinois Community College Board to recognize the economic contributions of Illinois' largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to City Colleges.

Improve Transparency and Accountability by Live Streaming Board and Committee Meetings

The Civic Federation recommends the City Colleges of Chicago begin broadcasting the Board of Trustee meetings and committee meetings online. Broadcasting board and committee meetings online will improve the transparency of District operations and the accountability of its members and staff to the public.

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[23] Government Finance Officers Association, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted October 2009).
[24] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 36.

Unlike other major governments in Chicago, such as the Chicago Transit Authority and the Chicago Park District, the City Colleges of Chicago does not broadcast its board or committee meetings online. The City Colleges of Chicago serves nearly 2.7 million people in 77 communities that cover approximately 228 square miles. The sheer size of the community college district area and the number of people the District serves can make it very difficult for many interested parties to attend the meetings in person. The live streaming and archiving of all meetings would therefore help the City Colleges of Chicago reach more of its constituents and improve the transparency and accountability of the District.

Long-Range Financial Planning Recommendations

City Colleges has recently been a leader in best practice financial planning among governments in the Chicago area. The District began releasing a long-range financial plan as part of the budget in FY2015. The long-range financial plan included a description of the District's five-year strategic plan for 2013-2018, a summary of the financial plan, a five-year financial forecast, an assessment of economic conditions and outlook, a description of the revenue and expense assumptions on which the forecast was based and overviews of the District's capital funding needs and long-term debt. These descriptions were informative because they connected the District's strategic plan goals to the District's financial planning process.

In FY2018 the District removed the long-range financial plan from the budget book because of changes being made to the forecasting process.[25] The FY2019 tentative annual operating budget also does not include any information about the long-range financial plan. The Civic Federation offers the following recommendations related to the District's long-range financial plan:

1. Continue to Publish the Long-Range Financial Plan

The Civic Federation encourages City Colleges to publicize a five-year long-range plan on an annual basis, either by reinstating the practice of including the long-range financial plan in the annual operating budget book or producing the financial plan as a separate document. The long-range plan should continue to include the elements that were included in the long-range plans produced as part of the annual budgets from FY2015-FY2017.

2. Establish Official Review and Approval Process for Long-Range Financial Plan

The Civic Federation recommends that City Colleges consider establishing a separate review process for its long-range financial plan outside of the approval of the annual budget. Until now, the Board of Trustees has not reviewed or approved the long-range plan separately because it has been included in the annual budget document. The separate review would ideally include an annual presentation of the long-range financial plan showing projected revenues and expenditures over the next five years based on current policies and a discussion of potential strategies that could be used or policy changes that could address future shortfalls. The Board of Trustees would formally approve the long-range financial plan similar to the annual budget approval.

[25] Information provided by City Colleges, Finance Department, July 13, 2017.

The Civic Federation believes the involvement of the City Colleges Board of Trustees legitimizes the long-term financial planning process, and as such it is important for members of the Board of Trustees to understand the future projections for the District based on today's policies and management decisions. The long-range plan could still be included in the annual budget book, or could become a stand-alone document.

3. Provide Quarterly Updates on Operating Budget

In addition to an annual review and approval of the long-range financial plan, the Civic Federation recommends that the City Colleges Office of Finance provide a quarterly update to the Board of Trustees on revenues and expenditures for the current fiscal year. The quarterly update would present a financial outlook based on year-to-date revenues and expenditures and allow for discussion about how to address potential budget gaps.

The Board of Trustees has a policy on financial reports that states, "The Chief Financial Officer shall present to the Board periodic summaries of the financial condition of the District showing the status of Board finances."[26] Currently, financial reports are not provided on a consistent basis. The Civic Federation recommends that the Board of Trustees strengthen this policy by specifying that the Chief Financial Officer shall present quarterly financial reports.

4. Establish a Formal Long-Term Financial Planning Policy

City Colleges has several financial policies that promote financial sustainability. One example is the District's fund balance policy to reserve an annual unrestricted fund balance of 3.0% of unrestricted operating expenses for contingencies.[27] In addition to the District's current financial policies, the Civic Federation recommends that the District also establish a formal policy that requires City Colleges to engage in a long-term financial planning process on an annual basis.

Establishing a formal long-term financial planning policy would codify the production of a long-range financial plan with its annual budget, and would ensure that City Colleges' legacy of responsible financial planning would continue through future administrations. The Government Finance Officers Association provides examples of such policies on its website.[28] City Colleges can also examine the policies of other Chicago-area governments, such as Cook County.[29]

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[26] City Colleges of Chicago FY2019 Tentative Operating Budget, p. 21.
[27] City Colleges of Chicago FY2019 Tentative Operating Budget, p. 28. The policy was adopted as Resolution #33109 by the Board of Trustees on December 1, 2016.
[28] See http://www.gfoa.org/financial-policy-examples-long-term-financial-planning.
[29] Cook County's multi-year forecasting policy and long-term financial planning strategy can be found in the Cook County FY2017 Annual Appropriation, Volume 1, Financial Policies Section, pp. 292 and 297. Available at http://opendocs.cookcountyil.gov/budget/archive/2017-Adopted-Volume-1-Financial_Policies.pdf.

Strategic Planning Recommendations

As noted earlier, City Colleges produced a five-year strategic plan for 2013-2018 and will be updating its five-year strategic plan in 2019. As the District prepares its next five-year strategic plan, the Civic Federation offers the following recommendations:

1. **Provide an Update on Outcomes from the 2013-2018 Strategic Plan**

   The 2013-2018 strategic plan included a number of goals to meet specific outcomes on metrics such as degrees awarded, transfers to four-year universities, employment and hiring time. It also included four strategies to increase success. After the conclusion of the five-year period, City Colleges should provide an update that measures how well the District did on meeting its goals in the 2013-2018 strategic plan.

2. **Provide Annual Updates to the Next Five-Year Strategic Plan**

   After City Colleges develops the next five-year strategic plan and set out goals, objectives and strategies, the District should provide annual updates that track progress made on the goals. As the strategic planning process is an ongoing and evolving process, this would provide stakeholders with data-based updates to measure progress and make adjustments as needed.

3. **Maximize Stakeholder Input in Strategic Planning Process**

   The Civic Federation encourages City Colleges to include the input of students, trustees, faculty, and staff from all departments and colleges in the development of the strategic plan. In doing so, the District will ensure that the strategic plan addresses all programmatic and financial needs of all stakeholders.

ACKNOWLEDGEMENTS

We would like to express our sincere thanks and appreciation to Chancellor Juan Salgado, Chief of Staff to the Chancellor, Jeffrey Donoghue and Associate Vice Chancellor of Finance and Business Enterprises, Jeffrey Wong for providing us with a briefing on the budget and answering our questions.

APPROPRIATIONS

The following section of this analysis presents information and trends regarding City Colleges' appropriations for all funds and for operating funds by object and by program. Except where noted, FY2019 appropriations are compared to FY2018 adopted appropriations and actual expenditures for FY2015-FY2017.

City Colleges has 11 funds: six operating funds, as well as debt service, capital and working cash funds. The operating funds include all funds except the capital, debt service and working cash funds. Operating funds pay for employees' salaries and benefits, utility costs and all other day-to-day expenditures. The six operating funds are composed of the following unrestricted and restricted funds:

<u>Unrestricted Funds</u>

- **Education Fund**, which accounts for revenues and expenditures of the academic and service programs for each college;
- **Operations and Maintenance Fund**, which accounts for expenditures for the construction, acquisition, repair and improvement of community college buildings, along with procurement and maintenance of lands, fixtures and equipment;
- **Auxiliary/Enterprise Fund**, which accounts for college services where a fee is charged and the activity is intended to be self-supporting;[30]

<u>Restricted Funds</u>

- **Audit Fund**, which levies and collects property taxes for the payment of the annual audit of the District's financial Statements;
- **Liability, Protection and Settlement Fund**, which primarily handles expenditures for tort liability, property insurance, Medicare taxes, Social Security taxes and unemployment insurance; and
- **Restricted Purposes Fund**, which accounts for monies that have external restrictions regarding their use, including grants.[31]

Appropriations for All Funds

City Colleges proposed appropriations for all funds in FY2019 total $436.1 million. This is a 0.2%, or approximately $700,000, decrease from FY2018 adopted appropriations of $436.8 million.

The District's FY2019 tentative annual operating budget of $393.2 million will increase by 3.3%, or $12.7 million, above FY2018 adopted appropriations of $380.5 million. The increase in the operating funds is primarily due to a projected $5.3 million increase in salaries in the unrestricted operating funds and a projected $7.6 million increase in waivers and scholarships in the restricted operating funds.[32] City Colleges exercises maximum discretion over unrestricted operating funds, unlike restricted operating funds that must be used for specific purposes as

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[30] In the FY2015 through FY2019 budgets the Auxiliary/Enterprise Fund budget has been presented separately from the Unrestricted Funds in some sections of the budget.
[31] Descriptions of the fund categories may be found in City Colleges of Chicago FY2019 Tentative Annual Operating Budget on pp. 13-15.
[32] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 5-9.

established by statute or terms of a grant or loan.

Enterprise Funds appropriations are proposed to decrease by $1.3 million, or 13.1%, below FY2018 adopted appropriations of $9.9 million. Enterprise funds are supposed to be self-sustaining. However, in FY2019 the Enterprise Funds will rely on a $732,314 transfer from the Unrestricted Operating Funds, which is approximately $3.1 million, or 81.1%, less than the transfer in FY2018.[33]

The FY2019 proposed Capital Fund appropriations totaling $30.2 million will decrease by 28.8%, or $12.2 million, below FY2018 adopted appropriations of $42.4 million. The Capital Fund provides pay-as-you-go funding for a substantial portion of its major building projects, as well as the improvement of existing structures.

The proposed capital appropriations for FY2019, totaling $30.2 million, will make up 6.9% of total appropriations, compared to 9.7% of total appropriations in FY2018. FY2019 Capital Fund expenses are budgeted to decrease as a result of major capital projects that began in FY2018.[34] The updated $236.8 million five-year capital plan appropriates approximately 42.9%, or $101.6 million, toward new facilities.[35]

Over the five-year period beginning in FY2015 the District's total expenditures are projected to decrease by $117.4 million, or 21.2%. This five-year decrease is driven primarily by an $87.0 million, or 74.2%, decrease in capital spending and a $31.9 million, or 24.3%, decrease in restricted spending. City Colleges completed a $250 million debt issuance in FY2014 and a

[33] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 57.
[34] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 5.
[35] See the Capital section on page 35 of this report for more details on the City Colleges of Chicago Capital Plan.

$78.2 million debt issuance in FY2018 to support its capital plan and has budgeted $20.9 million to pay for principal and interest in FY2019.[36]

City Colleges Appropriations for All Funds by Type: FY2015-FY2019 (in $ millions)									
Fund Type	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Adopted Budget**	**FY2019 Tentative Budget**	**Two-Year $ Change**	**Two-Year % Change**	**Five-Year $ Change**	**Five-Year % Change**
Operating Funds									
Unrestricted	$ 282.7	$ 296.8	$ 242.5	$ 277.2	$ 285.4	$ 8.2	3.0%	$ 2.7	1.0%
Enterprise	$ 9.6	$ 9.7	$ 12.7	$ 9.9	$ 8.6	$ (1.3)	-13.1%	$ (1.0)	-10.4%
Restricted	$ 131.1	$ 96.5	$ 87.1	$ 93.4	$ 99.2	$ 5.8	6.2%	$ (31.9)	-24.3%
Subtotal Operating	**$ 423.4**	**$ 403.0**	**$ 342.3**	**$ 380.5**	**$ 393.2**	**$ 12.7**	**3.3%**	**$ (30.2)**	**-7.1%**
Capital Fund	$ 117.2	$ 41.3	$ 16.0	$ 42.4	$ 30.2	$ (12.2)	-28.8%	$ (87.0)	-74.2%
Debt Service	$ 12.9	$ 17.9	$ 23.1	$ 13.9	$ 12.7	$ (1.2)	-8.6%	$ (0.2)	-1.6%
Total	**$ 553.5**	**$ 462.2**	**$ 381.4**	**$ 436.8**	**$ 436.1**	**$ (0.7)**	**-0.2%**	**$ (117.4)**	**-21.2%**

Note: Differences from budget book may occur due to rounding.
Source: City Colleges of Chicago FY2017 Annual Operating Budget, p. 2; FY2018 Annual Operating Budget, p. 3; and FY2019 Tentative Annual Operating Budget, p. 5.

Operating Funds by Object[37]

The next table shows changes in City Colleges' appropriations by object (line item) for the operating funds, including the Education Fund, Operations & Maintenance Fund, Audit Fund and Liability, Protection and Settlement Fund. In this section, FY2019 proposed appropriations are compared to adopted appropriations for FY2018 and actual expenditures for FY2015-FY2017. Over the five-year period, appropriations for these operating funds will decrease by approximately $5.6 million, or 2.0%, from the FY2015 actual appropriations of $282.2 million to $276.6 million proposed in FY2019.

Proposed appropriations for salaries will total $177.3 million in FY2019, up 3.1%, or $5.3 million, from FY2018 adopted appropriations of $172.0 million. The increase over the two-year period can be primarily attributed to a net increase of 50 part-time FTE faculty positions and 91 part-time FTE academic support positions.[38] Salaries will make up 64.1% of total proposed operating appropriations in FY2019 compared to 63.4% of total budgeted operating appropriations in FY2018.

Appropriations for employee benefits will decrease by 0.05%, or $19.2 million, below the FY2018 adopted appropriations of $39.8 million. The District is offsetting increased benefit expenses through increased employee and retiree contributions.[39]

Total salaries and employee benefits will compose 78.0% of the total appropriations in the operating funds in FY2019.

[36] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 50.
[37] The Operating Funds by Object in this section includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and Audit Funds, not the Auxiliary/Enterprise Fund.
[38] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 201.
[39] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 10.

Bad debt will see the largest percentage decline over the two-year period between FY2018 and FY2019, decreasing by $2.7 million, or 34.0%, from $7.9 million in FY2018 to $5.2 million in FY2019. In FY2019 the District is making an effort to better manage bad student debt.[40]

Over the five-year period the District's appropriations for salaries will decline by 8.2%, or $15.9 million. This is primarily due to the District reducing the size of its workforce in recent years. During the same time period benefits appropriations are expected to increase by $10.5 million, or 35.9%, above FY2015 actual expenditures of $29.3 million. Benefit appropriations as a percentage of total operating fund appropriations averaged 13.7% over the five-year period, rising from 10.4% in FY2015 to a high of 15.3% of total operating fund appropriations in FY2016 before declining to 14.4% in FY2019. These increases are despite the following actions City Colleges has taken to moderate benefits. In FY2013 City Colleges and labor unions agreed to eliminate step increases and sick-day payouts for new employees and freeze sick-day payouts for current employees.[41] In addition, benefits for non-union employees were changed to eliminate sick-day payouts for new employees, to freeze sick-day payouts for current employees, to increase health insurance co-payments and deductibles and to end premium-free lifetime retiree healthcare for senior leaders of City Colleges.[42] In FY2018 the District eliminated the 100% pension contributions and medical reimbursements for senior leadership of the District.[43]

City Colleges Appropriations by Object of Expenditure
Operating Funds: FY2015-FY2019
(in $ thousands)

Object	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Adopted Budget	FY2019 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Salaries	$ 193,183.0	$ 194,989.0	$ 192,376.1	$ 172,032.4	$ 177,318.3	$ 5,286.0	3.1%	$ (15,864.7)	-8.2%
Employee Benefits	$ 29,275.7	$ 45,279.7	$ 39,630.2	$ 39,795.3	$ 39,776.1	$ (19.2)	-0.05%	$ 10,500.4	35.9%
Contractual Services	$ 18,623.1	$ 14,805.4	$ 12,491.0	$ 12,812.0	$ 15,995.0	$ 3,183.0	24.8%	$ (2,628.2)	-14.1%
Materials/Supplies	$ 14,354.0	$ 13,376.8	$ 11,873.2	$ 10,608.0	$ 12,775.0	$ 2,167.0	20.4%	$ (1,579.0)	-11.0%
Travel/Conferences	$ 868.0	$ 964.1	$ 431.5	$ 886.6	$ 813.1	$ (73.5)	-8.3%	$ (54.9)	-6.3%
Capital Outlay	$ -	$ -	$ 57.3	$ -	$ -	$ -	-	$ -	-
Fixed Charges	$ 3,322.5	$ 3,303.6	$ 3,062.1	$ 2,865.6	$ 2,137.2	$ (728.4)	-25.4%	$ (1,185.3)	-35.7%
Utilities	$ 9,254.9	$ 7,883.7	$ 8,068.8	$ 8,468.1	$ 8,317.7	$ (150.4)	-1.8%	$ (937.2)	-10.1%
Bad Debt	$ 3,231.6	$ 9,222.1	$ 9,558.5	$ 7,901.1	$ 5,212.8	$ (2,688.2)	-34.0%	$ 1,981.2	61.3%
Waivers and Scholarships	$ 5,175.1	$ 6,510.7	$ 11,545.3	$ 14,942.1	$ 13,089.4	$ (1,852.7)	-12.4%	$ 7,914.3	152.9%
Other Expenditures	$ 4,926.3	$ 492.0	$ 676.6	$ 1,176.1	$ 1,165.1	$ (11.0)	-0.9%	$ (3,761.3)	-76.4%
Total	**$ 282,214.4**	**$ 296,827.2**	**$ 289,770.5**	**$ 271,487.3**	**$ 276,599.8**	**$ 5,112.6**	**1.9%**	**$ (5,614.6)**	**-2.0%**

Note: Operating Funds in this chart includes the Education Fund, Operations & Maintenance Funds, Liability, Protection, and Settlement Fund and Audit Fund only. Not Auxiliary/Enterprise Fund.
Source: City Colleges of Chicago FY2017 Annual Operating Budget, pp. 64-68; FY2018 Annual Operating Budget, pp. 55-59; and FY2019 Tentative Annual Operating Budget, pp. 55-59.

Total Operating Funds by Program[44]

The following table shows changes in the City Colleges' total operating funds by program between FY2015 and FY2019. The FY2019 Tentative Annual Operating Budget is compared to

[40] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 2.
[41] Adult educators are represented by the American Federation of State, County and Municipal Employees (AFSCME) and clerical employees are represented by the Federation of College Clerical and Technical Personnel Local 1708.
[42] City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. iii.
[43] City Colleges of Chicago FY2018 Tentative Annual Operating Budget, p. 2.
[44] The Operating Funds by Program includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund, Audit Fund and Auxiliary/Enterprise Fund.

the FY2015-FY2017 audited data and the FY2018 adopted budget. The program categories are listed below.[45]

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

Between FY2015 and FY2019, total appropriations in the operating funds will decrease by 2.2%, or $6.4 million, from $292.3 million to $285.9 million. Appropriations for instruction account for the largest share of the program appropriations at 34.9%. Instruction will decrease by 10.5%, or $11.7 million, from $111.6 million in FY2015 to $99.9 million in FY2019. Over the five-year period beginning in FY2015, appropriations for instruction as a percentage of the total operating budget have fluctuated between a high of 38.2% in FY2015 and a low of 32.6% in FY2017. The next largest program category in FY2019 will be institutional support at $58.0 million, or 20.3%, of the total operating budget, followed by operations and maintenance at nearly $40.5 million, or 14.2% of the total operating budget in FY2019. Academic Support makes up 7.4%, or $21.2 million, of the total operating budget in FY2019. Public Service will see the largest increase over the five-year period at 201.9%, rising from $417,800 in FY2015 to $1.3 million in FY2019.

[45] Descriptions of the program categories may be found in the City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 15-16.

Scholarships, Grants and Waivers will see the second largest percentage increase over the five-year period at 153.2%, rising from $5.2 million in FY2015 to $13.1 million in FY2019.

City Colleges Appropriations by Program Total Operating Funds: FY2015-FY2019 (in $ thousands)									
Program	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Adopted Budget	FY2019 Tentative Budget	Two-Year $ Change	Two- Year % Change	Five- Year $ Change	Five- Year % Change
Instruction	$ 111,595.6	$ 101,469.0	$ 96,892.7	$ 99,163.1	$ 99,855.7	$ 692.6	0.7%	$ (11,740)	-10.5%
Academic Support	$ 14,590.0	$ 18,958.3	$ 19,432.9	$ 20,010.7	$ 21,175.3	$ 1,164.5	5.8%	$ 6,585	45.1%
Student Services	$ 35,250.6	$ 36,089.0	$ 35,201.1	$ 38,523.1	$ 39,229.5	$ 706.3	1.8%	$ 3,979	11.3%
Public Services	$ 417.8	$ 1,900.2	$ 1,433.3	$ 1,196.2	$ 1,261.3	$ 65.1	5.4%	$ 844	201.9%
Organized Research	$ 4.5	$ 1.1	$ -	$ -	$ -	$ -	-	$ (4)	-100.0%
Auxiliary/Enterprise	$ 14,753.3	$ 13,182.4	$ 11,745.6	$ 13,822.0	$ 12,689.3	$ (1,132.8)	-8.2%	$ (2,064)	-14.0%
Operations & Maintenance	$ 44,698.4	$ 44,117.0	$ 40,588.0	$ 40,566.8	$ 40,527.2	$ (39.6)	-0.1%	$ (4,171)	-9.3%
Institutional Support	$ 65,829.0	$ 84,134.4	$ 80,601.1	$ 56,391.9	$ 58,093.7	$ 1,701.8	3.0%	$ (7,735)	-11.8%
Scholarships, Grants, Waivers	$ 5,174.0	$ 6,685.6	$ 11,775.0	$ 15,080.0	$ 13,101.4	$ (1,978.6)	-13.1%	$ 7,927	153.2%
Total	**$ 292,313.1**	**$ 306,537.0**	**$ 297,669.7**	**$ 284,753.9**	**$ 285,933.3**	**$ 1,179.4**	**0.4%**	**$ (6,380)**	**-2.2%**

Note: The Total Unrestricted Funds in this chart include the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund, Audit Fund and the Auxiliary Enterprise Fund.
Source: FY2017 Annual Operating Budget, pp. 64-68; FY2018 Annual Operating Budget, pp. 55-59; and FY2019 Tentative Annual Operating Budget, pp. 55-59.

RESOURCES

The following section presents City Colleges' revenue sources anticipated for FY2019, comparing tentative budgeted resources to adopted budget resources from FY2015-FY2018. The FY2019 figures used in this report are from the FY2019 Tentative Operating Budget that was updated on June 23, 2018.

Total Resources for Fiscal Year 2019

City Colleges expects to generate $436.0 million in total resources for all funds in FY2019. All funds include operating funds, capital funds, debt service funds and federal and State student aid funds that are passed on to students through grants and the Work Study program.

As shown in the table below, the largest revenue source in FY2019 will be property tax revenue, which is expected to make up 27.9% of total resources, or $121.8 million in revenue. The second largest source of revenue will be tuition and fees revenue, which is expected to compose 22.7% of total resources or $99.0 million. Federal funds will make up 19.9% of all resources and revenue from the State of Illinois is projected to account for 14.4% of total resources. The

District also plans to use $31.7 million in reserves, which will make up 7.3% of total resources. This includes $1.5 million in operating reserves and $30.2 million in capital reserves.

City Colleges Net Resources for All Funds: FY2019		
Source of Revenue	**FY2019 Tentative Budget**	**% of Total**
Enterprise Fund Reserves	$ -	0.0%
Operating Fund Reserves	$ 1,500,000	0.3%
Capital Reserves	$ 30,164,500	6.9%
Subtotal Enterprise and Operating Funds & Reserves	**$ 31,664,500**	**7.3%**
Net Property Tax	$ 121,774,980	27.9%
Personal Property Replacement Tax	$ 12,705,000	2.9%
Tuition and Fees	$ 99,037,809	22.7%
Auxiliary/Enterprise	$ 10,997,506	2.5%
Investment Revenue	$ 1,473,921	0.3%
Local Government Grants	$ 4,448,218	1.0%
Subtotal Local Sources	**$ 250,437,434**	**57.4%**
State Government	$ 62,615,713	14.4%
Federal Government	$ 86,837,975	19.9%
Subtotal State & Federal Sources	**$ 149,453,688**	**34.3%**
Other Sources	$ 4,460,150	1.0%
Total	**$ 436,015,772**	**100.0%**

Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, All Funds Summary, p. 53.

Not included in the table but also important to note, is that the State of Illinois also makes contributions to the State Universities Retirement System (SURS) on behalf of City Colleges for most of the District's employees. This operating support is not reflected in the budget.[46] In FY2017, the most recent year for which audited data is available, State pension contributions made on behalf of City Colleges totaled $134.0 million,[47] compared to $102.3 million in FY2016[48] and $82.4 million in FY2015.[49]

Trend in Total Resources for All Funds

City Colleges' total FY2019 resources of $436.0 million represent a decrease of $21.6 million, or 4.7%, from the FY2018 adopted budget of $457.6 million. This is also a significant 39.7% decrease in total resources over a five-year period from $723.1 million in the FY2015 adopted budget. Total resources for all funds over the five-year period from FY2015-FY2019 are shown in the next table. Local revenue sources are estimated to total $250.4 million in FY2019 and State and Federal revenues are estimated to total $149.5 million.

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[46] The State of Illinois makes the employer pension contributions for City Colleges employees except those paid for with federal grants; the District pays the employer share of those pension costs.
[47] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 35.
[48] City Colleges of Chicago FY2016 Comprehensive Annual Financial Report, p. 31.
[49] City Colleges of Chicago FY2015 Comprehensive Annual Financial Report, p. 33.

Revenue from all local sources is projected to increase by $8.6 million, or 3.5%, from $241.9 million in FY2018 to $250.4 million in FY2019. All sources of local revenue are expected to increase over the two-year period with the exception of revenue from the Personal Property Replacement Tax, which is projected to decline by 8.4% or $1.2 million. City Colleges projects a $4.4 million, or 4.6%, increase in tuition and fee revenue from the FY2018 budget level of $94.7 million in FY2018 to $99.0 million in FY2019. This is the first projected increase in tuition revenue in four years and the first positive enrollment growth projection since 2010.[50] Local government grants received from other local government entities such as the City of Chicago and the Chicago Housing Authority[51] are expected to decline in FY2019 by $985,000, or 28.4%, from the prior year.

State funding is expected to increase by 2.4% in FY2019 from the FY2018 adopted budget. After two years of underfunding from the State of Illinois in FY2016 and FY2017 due to the State budget impasse, City Colleges' funding from the State of Illinois is expected to total about 86% of actual State funding received in FY2015. As shown in the table below, City Colleges budgeted for State funding of $75.9 million in FY2015, $63.5 million in FY2016 and $56.0 million in FY2017. However, City Colleges actually received $72.5 million in State funding in FY2015, and only $21.4 million in FY2016 and $27.6 million in FY2017.[52] These funding levels constituted only 33.6% of what the District had budgeted for in FY2016 and about half of what the District budgeted for in FY2017.

The District projects that it will receive $62.6 million in State funding in FY2019 compared to the budgeted amount of $61.1 million in FY2018. This is a 17.5% decrease from the budgeted amount of $75.9 million in FY2015.

Federal funds primarily represent financial aid that is passed on to students, not revenues available for day-to-day operations. Federal funding will decrease by 3.3% in FY2019, from $89.8 million in the adopted FY2018 budget to $86.8 million in FY2019. Since 2015, federal funding has decreased by 49.8% from $173.1 million. The majority of the decrease took place in FY2018 due to lower enrollment and therefore a decrease in student financial aid, more conservative estimates than in prior years and grants not yet received.[53]

For the past several years, actual federal revenues have been much lower than budgeted projections. As shown in the table below, the District budgeted for $173.1 million in federal resources in FY2015, $171.3 million in FY2016 and $164.7 million in FY2017. However, the District only actually received $110.0 million in FY2015, $84.3 million in FY2016 and $80.1 million in FY2017.[54] This constituted only 63.5% of federal funding budget projections in FY2015 and only half of budgeted federal funding in FY2016 and FY2017.

[50] City Colleges of Chicago, Review of the Preliminary FY2019 Budget Briefing, June 4, 2018.
[51] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 16.
[52] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 31.
[53] City Colleges of Chicago FY2018 Tentative Annual Operating Budget, p. 6.
[54] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 31.

Auxiliary/Enterprise revenue is revenue generated through fees to cover activity expenses such as child care, culinary programs, non-credit instruction and contract training.[55] Auxiliary/enterprise revenue is budgeted to increase by 17.2% from $9.4 million in the FY2018 adopted budget to $11.0 million in FY2019. Other sources of revenue include revenues that do not fall within specific categories such as subpoena fees, ATM commissions and fundraising.[56] Other sources of revenue are expected to decrease by 39.9% from $7.4 million in FY2018 to $4.5 million in FY2019. The increase in auxiliary/enterprise revenue and the decrease in other sources in FY2019 is due to a reclassification of sales and service fees and facility rental revenues from other sources in FY2018 to auxiliary/enterprise revenue in FY2019.[57] In FY2019 the projected revenue from other sources is $4.5 million for fundraising.

Investment revenue is projected to increase substantially from $120,000 in the FY2018 adopted budget to $1.5 million in FY2019 due to an increase in investible cash.[58] In FY2018 the District budgeted investment income revenue conservatively without taking into account higher cash balances and interest rates, and because of the uncertain timing of State funding.[59]

Over the five-year period from FY2015 to FY2019, total resources are expected to decrease by $287.1 million, or 39.7%. This decrease is largely due to the completion of construction of the new Malcolm X College facility. Every category of revenue is expected to decline over the five-year period. Federal funding will fall to nearly half of the District's FY2015 federal funding level. Local government grants will decrease by 73.6%. State revenues are expected to decrease by 17.5%. Property tax revenue is expected to remain fairly flat, declining less than a percentage point. The most significant decline in total resources is with the use of appropriated reserves. City Colleges used $178.3 million of reserves in FY2015, compared to $31.7 million budgeted for FY2019. This is an 82.2% decline in reserves used over the five-year period. The majority of

[55] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 8 and 14.
[56] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 17.
[57] Information provided by City Colleges Office of Finance, June 21, 2018.
[58] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 35.
[59] Information provided by City Colleges Office of Finance, June 21, 2018.

reserves utilized in FY2019, $30.2 million, will be from the restricted capital funds, while $1.5 million will be used from operating reserves.

City Colleges of Chicago Net Resources for All Funds: FY2015 - FY2019 (in $ thousands)									
Sources of Revenues	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Adopted Budget	FY2019 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Appropriated Reserves	$ 178,278	$ 157,249	$ 34,036	$ 57,370	$ 31,665	$ (25,706)	-44.8%	$ (146,613)	-82.2%
Net Property Tax Revenues	$ 122,488	$ 119,993	$ 120,070	$ 120,345	$ 121,775	$ 1,430	1.2%	$ (713)	-0.6%
Personal Property Replacement Tax	$ 14,347	$ 14,328	$ 13,867	$ 13,867	$ 12,705	$ (1,162)	-8.4%	$ (1,642)	-11.4%
Tuition and Fees	$ 115,000	$ 126,985	$ 111,446	$ 94,675	$ 99,038	$ 4,363	4.6%	$ (15,962)	-13.9%
Auxiliary/Enterprise	$ 14,858	$ 12,133	$ 10,752	$ 9,387	$ 10,998	$ 1,610	17.2%	$ (3,861)	-26.0%
Investment Revenue	$ 1,500	$ 1,000	$ 562	$ 120	$ 1,474	$ 1,354	1128.3%	$ (26)	-1.7%
Local Government Grants	$ 16,828	$ 22,025	$ 5,249	$ 3,464	$ 4,448	$ 985	28.4%	$ (12,379)	-73.6%
Total Local Sources	**$ 285,022**	**$ 296,465**	**$ 261,946**	**$ 241,858**	**$ 250,437**	**$ 8,580**	**3.5%**	**$ (34,584)**	**-12.1%**
State Government	$ 75,912	$ 63,489	$ 56,021	$ 61,146	$ 62,616	$ 1,469	2.4%	$ (13,297)	-17.5%
Federal Government	$ 173,118	$ 171,299	$ 164,749	$ 89,807	$ 86,838	$ (2,969)	-3.3%	$ (86,280)	-49.8%
Subtotal State & Federal Sources	**$ 249,030**	**$ 234,788**	**$ 220,770**	**$ 150,953**	**$ 149,454**	**$ (1,499)**	**-1.0%**	**$ (99,576)**	**-40.0%**
Other Sources	$ 10,786	$ 6,999	$ 6,925	$ 7,426	$ 4,460	$ (2,966)	-39.9%	$ (6,326)	-58.6%
Total	**$ 723,115**	**$ 695,501**	**$ 523,677**	**$ 457,606**	**$ 436,016**	**$ (21,591)**	**-4.7%**	**$ (287,099)**	**-39.7%**

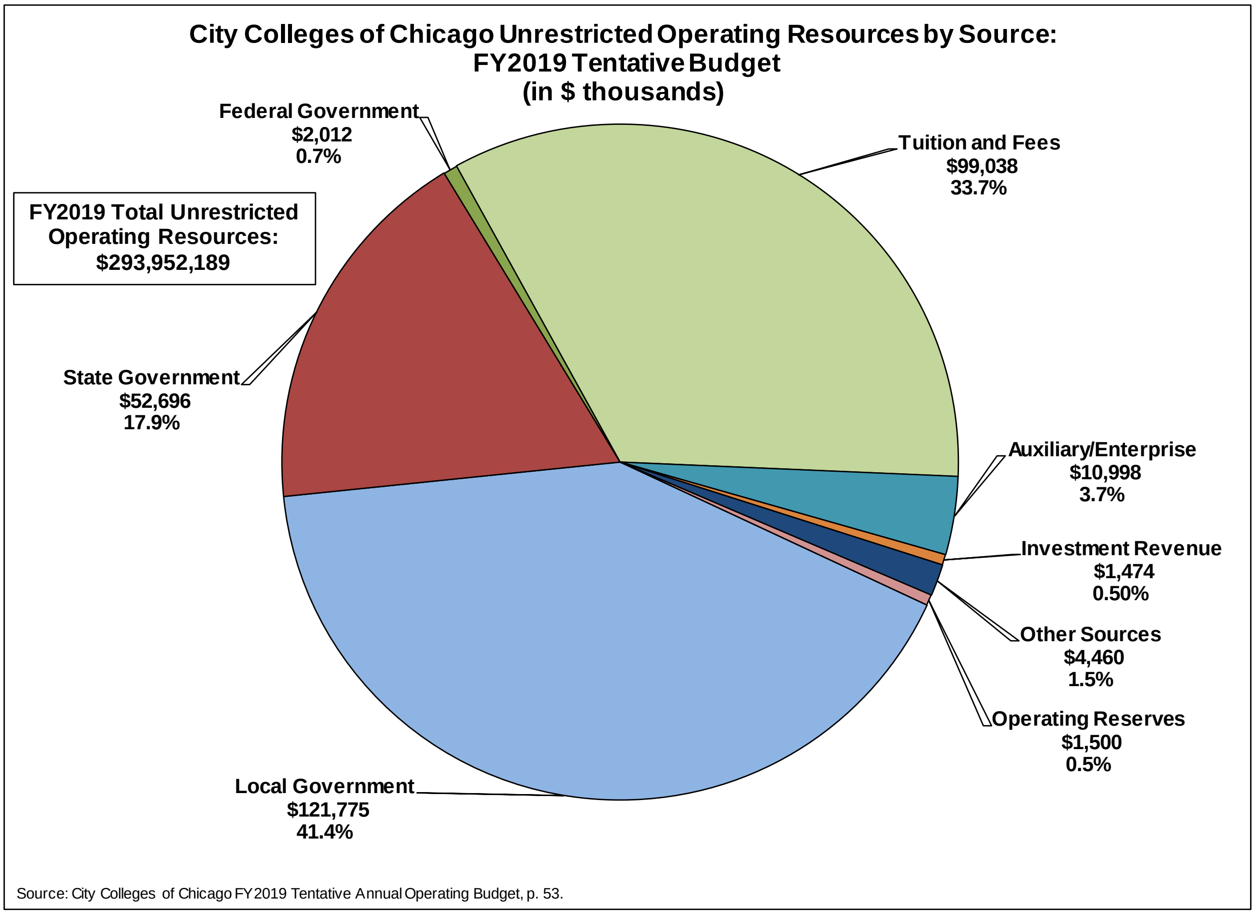
Source: City Colleges of Chicago Adopted Budgets, FY2015, p. 68; FY2016, p. 65; FY2017, p. 62; FY2018, p. 53; and City Colleges of Chicago FY2019 Tentative Budget, p. 53.

Unrestricted Funds

City Colleges' total unrestricted funds consist of the Operating Funds (Education, Operations and Maintenance, Liability and Audit Funds) and the Auxiliary Enterprise Fund. Unrestricted funds are those funds over which City Colleges has the most discretionary control. They exclude restricted grants, such as student financial aid, and the Bond and Interest Fund. City Colleges is budgeting a total of $294.0 million in unrestricted funds for FY2019.

The FY2019 Tentative Annual Operating Budget projects that 41.4% of the $296.0 million in unrestricted operating resources will come from local government sources, 17.9% from State government and 33.7% from tuition and fees. Federal government resources will constitute only

0.7% of unrestricted resources, with the remaining federal resources falling within restricted funds.



The next table presents the changes in total unrestricted resources over the five-year period from FY2015-FY2019.

In the two-year period between FY2018 and FY2019, total unrestricted resources are expected to decrease by $7.6 million, or 2.5% from $301.5 million in FY2018. Local government unrestricted funds (i.e., property tax revenues) are expected to increase by 1.2% from $120.3 million to $121.8 million. The property tax extension will increase slightly to levy for new taxable property.[60] All tuition and fee revenue falls within unrestricted funds. This revenue is projected to increase by 4.6%, or $4.4 million, from $94.7 million in the FY2018 budget to $99.0 million in FY2019 due to anticipated enrollment increases.

The District plans to use $1.5 million in operating reserves in FY2019 for general operating purposes. Personal property replacement tax (PPRT) revenues have not been used for unrestricted operating purposes since FY2015. PPRT revenue is now used instead to fund debt service payments.[61]

[60] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 34.
[61] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 34.

In the five-year period between FY2015 and FY2019, total resources for unrestricted funds are expected to decrease by $29.9 million or 9.2%. Tuition and fee revenue will fall by $16.0 million or 13.9%.

Auxiliary/Enterprise revenue will decrease by $3.9 million, or 26.0%, to $11.0 million in FY2019. Auxiliary/Enterprise revenues are generated from self-supporting services that charge a fee such as facility rentals, transcript fees, the cafeteria and the bookstore.[62]

Federal revenues have been used increasingly for unrestricted operating purposes since FY2014. While federal funds only make up a small portion of unrestricted resources, as shown in the pie chart above, the use of federal funds has increased by 403.0% from $400,000 in FY2015 to $2.0 million in FY2019.

City Colleges Resources for Unrestricted Operating Funds: FY2015-FY2019 (in $ thousands)

Sources of Resources	FY2015 Adopted Budget	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Adopted Budget	FY2019 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Local Government	$ 122,488	$ 119,993	$ 120,070	$ 120,345	$ 121,775	$ 1,430	1.2%	$ (713)	-0.6%
State Government	$ 57,402	$ 55,879	$ 48,543	$ 52,907	$ 52,696	$ (211)	-0.4%	$ (4,706)	-8.2%
Federal Government	$ 400	$ 300	$ 635	$ 2,003	$ 2,012	$ 9	0.5%	$ 1,612	403.0%
Tuition and Fees	$ 115,000	$ 126,985	$ 111,446	$ 94,675	$ 99,038	$ 4,363	4.6%	$ (15,962)	-13.9%
Auxiliary/Enterprise	$ 14,858	$ 12,133	$ 10,752	$ 9,387	$ 10,998	$ 1,611	17.2%	$ (3,860)	-26.0%
Investment Revenue	$ 1,500	$ 1,000	$ 562	$ 120	$ 1,474	$ 1,354	1128.3%	$ (26)	-1.7%
Other Sources	$ 9,500	$ 6,670	$ 6,496	$ 7,090	$ 4,460	$ (2,630)	-37.1%	$ (5,040)	-53.1%
Personal Property Replacement Tax	$ 1,410	$ -	$ -	$ -	$ -	$ -	-	$ (1,410)	-100.0%
Operating Reserves	$ 1,300	$ 2,000	$ -	$ 15,000	$ 1,500	$ (13,500)	-90.0%	$ 200	15.4%
Total	**$ 323,858**	**$ 324,959**	**$ 298,504**	**$ 301,527**	**$ 293,952**	**$ (7,575)**	**-2.5%**	**$ (29,906)**	**-9.2%**

Source: City Colleges of Chicago FY2015 Adopted Budget p. 68; FY2016 Adopted Budget, p. 65; FY2017 Adopted Budget, p. 63; FY2018 Adopted Budget, p. 53; and FY2019 Tentative Budget, p. 53.

City Colleges Tuition Changes FY2007-FY2019

In FY2019 City Colleges projects that revenue from tuition and fees will make up 33.7% of its general operating funds. City Colleges has seen an enrollment decline every year between 2010 and 2018, but expects a 5.0% increase in enrollment in FY2019.[63] Because of this anticipated enrollment increase, tuition and fee revenue is expected to bring in $99.0 million in FY2019 compared to $94.7 million in FY2018, an increase of $4.4 million or 4.6%.[64]

City Colleges has changed its tuition structure several times in the past few years. The following table shows the City Colleges tuition changes that have occurred since 2007. Until 2015, City Colleges charged a per-credit hour tuition, which increased several times between 2007 and 2015. In FY2016 City Colleges transitioned from a per-credit hour tuition and fee based revenue structure to a tier-based cost of attendance model, which included tuition and mandatory fees, based on a student's part-time or full-time enrollment status. Beginning in FY2016, the flat rate charge for in-district enrollment was $599 for one course, $1,069 for part-time enrollment and $1,753 for full-time enrollment. The tiered tuition structure was designed to encourage full-time

[62] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 8 and 14.
[63] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 6.
[64] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 52.

enrollment and timely graduation, make cost of attendance more transparent for students[65] and simplify the revenue structure.[66]

In April 2018, the City Colleges Board of Trustees approved a new tuition structure that changed the tuition rate from a tier-based rate structure to a hybrid tuition rate structure.[67] Beginning with the summer 2018 semester, part-time students enrolled in fewer than 12 credit hours will be charged a rate of $146 per credit hour and full-time students enrolled in 12 credit hours or more of coursework will pay a flat rate. The new tuition structure charges part-time students the same rate per credit hour as a full-time student enrolled in 12 credit hours.

City Colleges of Chicago Tuition per Credit Hour			
Year	In-District Tuition per Credit Hour	Out-of-District Tuition per Credit Hour	Out-of-State Tuition per Credit Hour
2007	$ 72.00	$ 180.83	$ 291.61
2008	$ 72.00	$ 189.95	$ 309.76
2009	$ 72.00	$ 258.99	$ 306.89
2010	$ 79.00	$ 259.15	$ 301.55
2011	$ 87.00	$ 171.56	$ 228.35
2012	$ 89.00	$ 173.56	$ 230.35
2013	$ 89.00	$ 185.38	$ 236.59
2014	$ 89.00	$ 185.52	$ 233.84
2015	$ 89.00	$ 202.01	$ 249.71
2016 (One Class/Part-time/Full-time)	$599/$1,069/1,753	$1,359/$3,159/ $4,603	$1,719/$4,149/$5,953
2017 (One Class/Part-time/Full-time)	$599/$1,069/1,753	$1,359/$3,159/$4,603	$1,719/$4,149/$5,953
2018 (One Class/Part-time/Full-time)	$599/$1,069/1,753	$1,359/$3,159/$4,603	$1,719/$4,149/$5,953
2019 Tentative Budget (Less than 12 credit hours / 12+ credit hours)	$146 per credit hour / $1,752 flat rate full time	$384 per credit hour/ $4,608 flat rate	$481 per credit hour/ $5,772 flat rate

Source: City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 51; FY2014 Annual Operating Budget, p. 41; FY2018 Annual Operating Budget, p. 32; and FY2019 Tentative Annual Operating Budget, p. 36.

For a comparison of City Colleges' in-district tuition to the in-district tuition of ten other community colleges in the northeastern Illinois region, see the Appendix.

Property Tax Revenues

Property tax years are the same as calendar years. However, the City Colleges fiscal year is July 1 to June 30, and there is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2017 are actually received in 2018. As a result, property tax funds available during the City Colleges upcoming fiscal year (FY2019) will be drawn from part of tax year 2017 and part of tax year 2018.

[65] City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. ii.
[66] City Colleges of Chicago FY2017 Tentative Annual Operating Budget, p. 357.
[67] City Colleges of Chicago Board of Trustees, Board Resolution 33420, adopted December 1, 2016.

In FY2019 City Colleges expects to receive a net total of $121.8 million in property tax revenues, compared to $120.3 million in FY2018. The gross amount of tax levy revenues will be $126.3 million, but that amount is reduced by $4.5 million to account for estimated loss and cost of collections, yielding net property tax revenue of $121.8 million.

Property Tax Revenues Received by City Colleges: FY2018 & FY2019		
	FY2018	**FY2019**
1/2 Estimated Gross 2016 Levy	$ 62,490,691	
1/2 Estimated Gross 2017 Levy	$ 62,765,690	
1/2 Estimated Gross 2017 Levy		$ 62,923,193
1/2 Estimated Gross 2018 Levy		$ 63,345,845
Subtotal Gross Levy Funds Available	**$ 125,256,381**	**$ 126,269,038**
Estimated Loss and Cost of Collection	$ (4,911,752)	$ (4,494,058)
Total (Net Levy)	**$ 120,344,629**	**$ 121,774,980**
$ Change		**$ 1,430,351**
% Change		**1.2%**

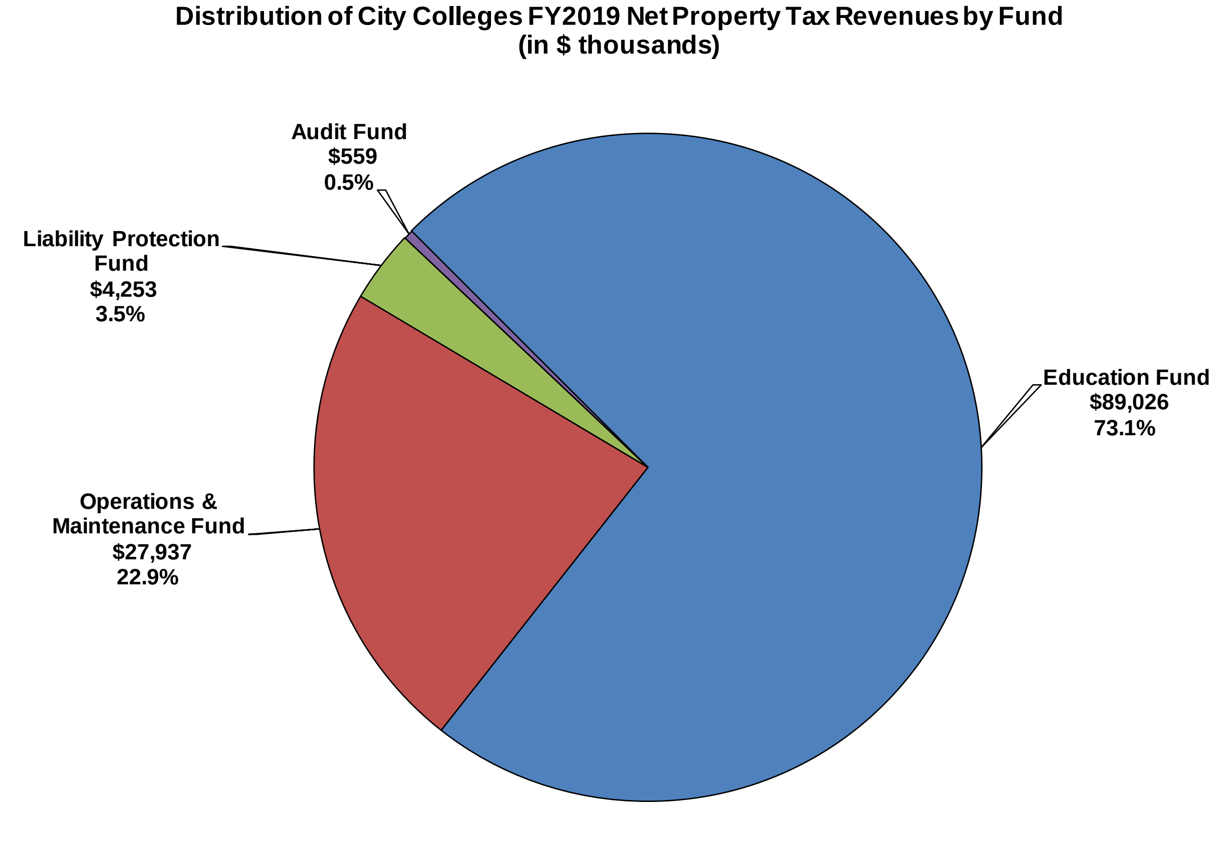
Source: City Colleges of Chicago FY2018 Adopted Operating Budget, p. 53 and FY2019 Tentative Annual Operating Budget, p. 53.

Estimated property tax revenue in FY2019 is $1.4 million higher than FY2018 because City Colleges plans to capture additional revenue from new taxable property within the City of Chicago.[68] The levy increase is not an increase in the amount of money all taxpayers will owe in property taxes; rather, levying for new property only impacts property owners of new or improved property.

The distribution of net City Colleges' property tax revenues for FY2019 is shown in the pie chart below. All of the District's property tax revenue is used for operations:[69] 73.1% is earmarked for the Education Fund, which is the City Colleges' general operating fund; 22.9% is designated for

[68] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 34.
[69] Note that all of the City Colleges operating funds are subject to the State's tax cap law, which limits annual property tax increases to 5.0% or the rate of inflation, whichever is less.

the Operations and Maintenance Fund; 3.5%, is reserved for the Liability, Protection and Settlement Fund; and 0.5%, is earmarked for the Audit Fund.



Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 55-59.

Five-Year Property Tax Levy Trend

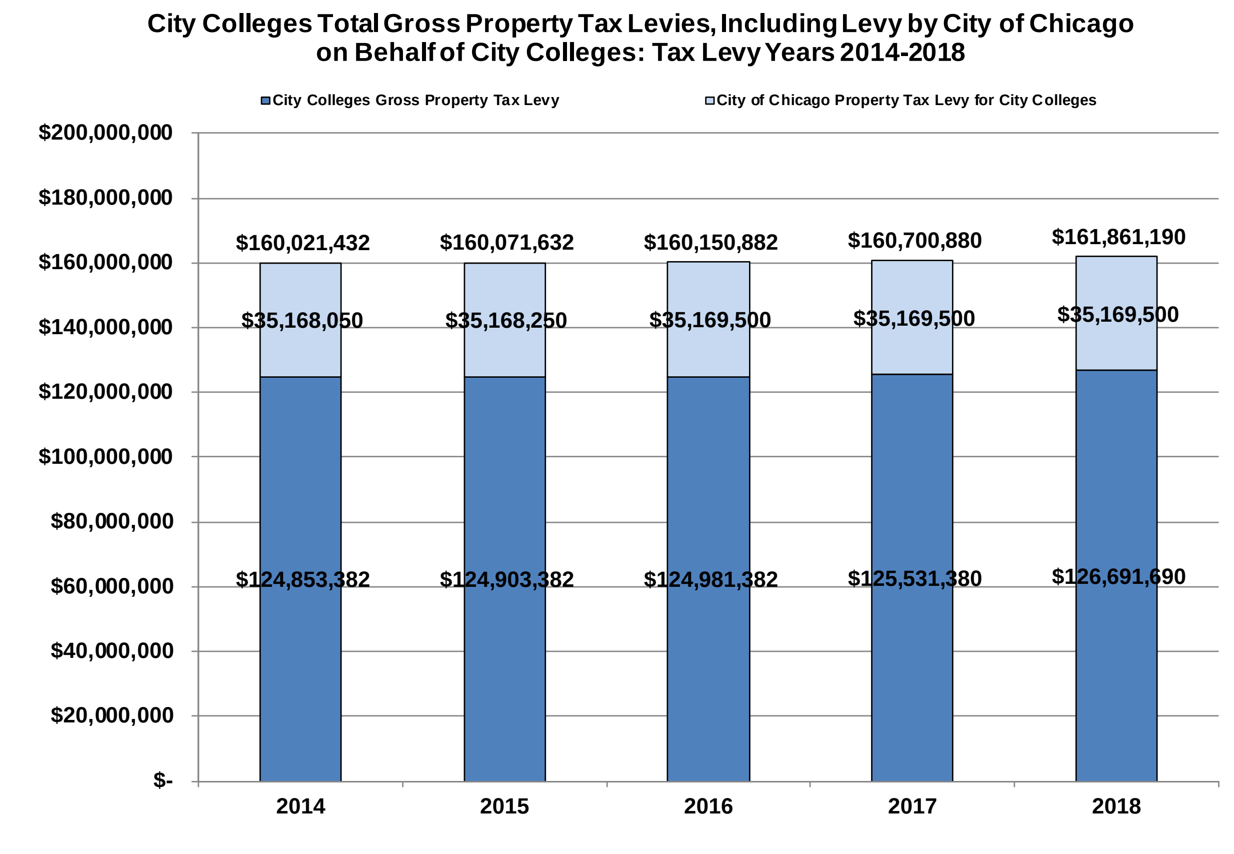
Historically, City Colleges has not increased property taxes, other than levying for expiring TIF districts and new or improved property. That trend will continue in FY2019. The chart below shows the tax levy for City Colleges for levy years 2014-2018 (taxes levied in 2014-2018 but collected in 2015-2019). In tax year 2018 (taxes payable in calendar year 2019) the City Colleges gross property tax levy, before accounting for loss in collections, will total $126.7 million. This represents a 1.5% increase compared to the gross levy of $124.9 million in tax year 2014.

In addition to the property tax revenue that City Colleges levies for itself, the City of Chicago also levies property taxes on behalf of City Colleges in order for the District to pay debt service on capital improvement bonds issued for City Colleges' projects.[70] The City of Chicago does so because of the expiration of District authority to levy for debt issued by the Public Building Commission (PBC) on behalf of City Colleges. Debt service limits for City Colleges were fixed at the time the tax cap law was implemented in 1995. At that time, the District's debt burden

[70] The City of Chicago similarly levies property taxes on behalf of the Chicago Public Schools.

consisted of obligations issued through the PBC and paid for through a PBC Operations and Maintenance (O&M) levy. When these were paid, the O&M levy was eliminated, requiring the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for PBC Commission obligations and City Colleges' projects.[71] The City levy on behalf of City Colleges is set at levels previously authorized for the O&M levy. Without these funds, it would be difficult for City Colleges to raise adequate funds for maintenance, rehabilitation and construction of capital improvements.

The City's levy for the City Colleges' debt has remained relatively stable at approximately $35.2 million since tax year 2008. This levy is part of the City of Chicago tax rate and does *not* appear as a separate line item on property tax bills. After including the City of Chicago levy for City Colleges' capital improvement bonds, the total property tax levy for City Colleges is $161.9 million in FY2019. This represents a 1.1% increase from $160.0 million in tax year 2014.



Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 200.

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

[71] Information provided by City Colleges of Chicago, June 26, 2008.

account for the Property Tax Extension Limitation Law (PTELL, also known as "tax caps"), it assumes that a greater amount of property wealth is available to tax-capped districts than can actually be taxed without seeking approval of the voters through a referendum. Over time, this has meant that State funding for City Colleges has declined. The City Colleges equalization grant dropped from more than $16 million in FY2002 to $50,000 in FY2005 and down to $0 thereafter.[72]

As the current formula would have provided City Colleges with almost no revenue, the State awarded a $15.0 million alternate equalization grant to City Colleges in FY2005 to replace the $16.0 million grant the District lost.[73] Each year between FY2006 and FY2012, the State renewed the grant for $15.0 million. Since then, the alternate equalization grant has been reduced proportionately along with other reductions in funding from the Illinois Community College Board.[74] In FY2019 the District is anticipating an alternate equalization grant of $12.6 million.[75]

ENROLLMENT TRENDS

City Colleges estimates FY2018 student enrollment to total 34,099 full-time equivalent students (FTEs). FTE enrollment is a calculation of the total number of enrolled credit hours per year divided by thirty credit hours, based on a full-time class load of 15 credit hours per academic semester.[76] Rather than the total student headcount, FTE enrollment makes class loads more comparable.

Between FY2017 and FY2018, City Colleges estimates that student enrollment will decrease by 3.3%, or 1,175 FTEs, from 35,274 total FTEs in FY2017.[77] Enrollment in the District's largest instructional area, the Career Credit and Skills program, is expected to decrease by 367 FTEs, or 1.5%. Enrollment in Adult Education is expected to decline by 801 FTEs or 7.2%. Continuing Education enrollment is expected to decrease to zero enrollment because Continuing Education courses are non-credit courses taken for personal special interest and do not have an FTE credit value.[78]

In the five-year period between FY2014 and FY2018, City Colleges' total FTE enrollment declined by 24.7%, or 11,161 FTEs, from 45,260 in FY2014 to an estimated 34,099 in FY2018.

[72] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 37.
[73] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 37.
[74] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 37.
[75] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 36.
[76] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 225.
[77] Information provided by City Colleges of Chicago, June 21, 2018.
[78] Information provided by City Colleges of Chicago, June 21, 2018.

FTE enrollment in Career Credit and Skills decreased by 23.8%, or 7,418 FTEs over that period. Adult Education enrollment fell by 23.6%, or 3,176 FTEs.

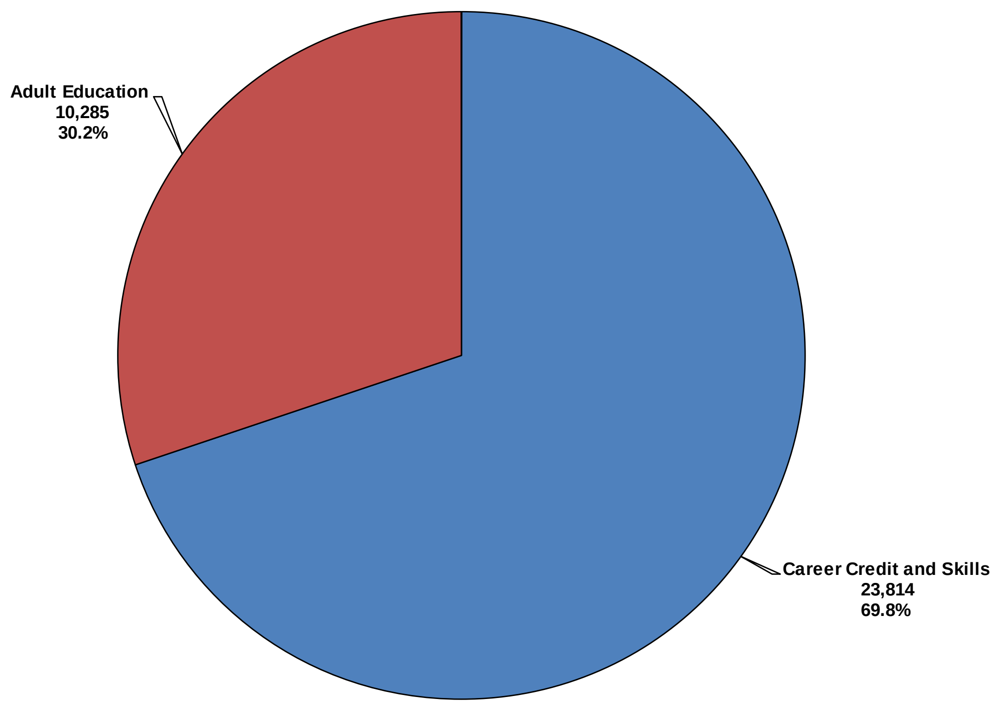
City Colleges Full-Time Equivalent (FTE) Enrollment: FY2014-FY2018									
Type	FY2014	FY2015	FY2016	FY2017	FY2018*	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Career Credit and Skills	31,232	29,263	26,419	24,181	23,814	(367)	-1.5%	(7,418)	-23.8%
Adult Education	13,461	11,874	11,540	11,086	10,285	(801)	-7.2%	(3,176)	-23.6%
Continuing Education	567	391	4	7	-	(7)	-100.0%	(567)	-100.0%
Total	**45,260**	**41,528**	**37,963**	**35,274**	**34,099**	**(1,175)**	**-3.3%**	**(11,161)**	**-24.7%**

*FY2018 enrollment data is a preliminary estimate as of May 22, 2018.

Source: City Colleges of Chicago FY2018 Annual Operating Budget, p. 188; and information provided by City Colleges, June 21, 2018.

The following chart shows the distribution of City Colleges' estimated FY2018 enrollment between the Career Credit and Skills program and the Adult Education program. Continuing Education is not included because these special interest courses do not have a credit hour value. The Career Credit and Skills program had the majority of credit enrollment at 23,814 FTEs or 69.8%. Adult Education enrollment accounted for 30.2% of credit hours or 10,285 FTEs.

City Colleges FY2018 Enrollment (in FTEs)



Note: FY2018 enrollment data is preliminary as of May 22, 2018.
Source: Information provided by City Colleges of Chicago, June 21, 2018.

In FY2019 City Colleges is projecting the first increase in enrollment since 2010. The District expects enrollment to increase by 4.6% in FY2019[79] due to several positive indicators as of May 2018 compared to the same time the prior year. These include a 23% increase in credit

[79] City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 6.

applications, a 14.3% increase in new applicant enrollment, an increase in international student enrollment and a 32% increase in the number of Free Application for Federal Student Aid (FAFSA) applications submitted, which determines eligibility for financial aid and indicates a student's intent to enroll in courses.[80]

PERSONNEL AND PERSONNEL SERVICES

In its FY2019 tentative annual operating budget, City Colleges provides full-time equivalent (FTE) data by position type and status in the unrestricted funds for FY2016 through FY2019. The Civic Federation historically has provided a five-year trend of FTE data. However, in the FY2016 budget City Colleges of Chicago reclassified its FTE data and as a result the Civic Federation is unable to provide a five-year trend analysis. Instead we are providing a four-year trend starting with FY2016.

FTE data reflects the total hours worked by all employees divided by the average annual hours worked in a full-time position. Generally, it is more useful and accurate to examine FTE data, as opposed to headcount data which represents the total number of individual employees including full-time, part-time and student workers. FTE data helps to make varying workloads within the organization more comparable.

In the four-year period between FY2016 and FY2019, the total number of FTEs are budgeted to decline by 914 positions, or 20.9%, from 4,379 FTEs to 3,465 FTEs. This is a reduction of 366 full-time FTE positions, or 15.1%, and a reduction of 548 part-time FTE positions, or 28.1%. The majority of the decline in full-time FTE positions will be professional/technical staff, administrators and clerical staff positions, which will decline by 206, 99 and 147 FTE positions respectively. The majority of the decline in part-time FTE positions will be from faculty and front-line direct support staff, which will decline by 463 and 195 FTE positions, respectively. During the same period part-time FTE positions for academic support will increase by 127 FTE positions.

In the two-year period between FY2018 and FY2019 there will be an increase of 171 total FTE positions, or a 5.2% increase in total FTEs. Full-time staff will increase by 1.0% or 21 positions. This includes an increase of 15 full-time FTE administrator positions, 11 full-time FTE direct support positions and 11 full-time FTE academic support positions, but is offset by a smaller decline in full-time faculty, professional/technical staff and clerical positions. There is no change in the number of full-time student workers. During the same two-year period, part-time FTE

[80] City Colleges of Chicago, FY2019 Budget Briefing, June 4, 2018.

positions will increase by a total of 150 or 12.0%. The majority of the increase is due to an increase of 50 part-time faculty positions and 91 part-time FTE academic support positions.

City Colleges of Chicago Full-Time Equivalent (FTE) Employees by Position Type and Status in Unrestricted Funds: FY2016-FY2019

Position Type	Status	FY2016 Adopted Budget	FY2017 Adopted Budget	FY2018 Adopted Budget	FY2019 Tentative Budget	Two-Year # Change	Two-Year % Change	Four-Year # Change	Four-Year % Change
Faculty	Full Time	627	619	575	573	-2	-0.3%	-54	-8.6%
	Part Time	1,156	859	643	693	50	7.8%	-463	-40.1%
Professional/Technical Staff	Full Time	592	558	394	386	-8	-2.0%	-206	-34.8%
	Part Time	68	66	46	41	-5	-10.9%	-27	-39.7%
Administrators	Full Time	424	415	310	325	15	4.8%	-99	-23.3%
	Part Time	2	1	0	1	1	-	-1	-50.0%
Clerical	Full Time	354	316	213	207	-6	-2.8%	-147	-41.5%
	Part Time	10	19	11	17	6	54.5%	7	70.0%
Front-Line Direct Support	Full Time	269	264	241	252	11	4.6%	-17	-6.3%
	Part Time	373	291	179	178	-1	-0.6%	-195	-52.3%
Academic Support	Full Time	161	168	308	319	11	3.6%	158	98.1%
	Part Time	322	341	358	449	91	25.4%	127	39.4%
Student Workers	Full Time	1	0	0	0	0	-	-1	-100.0%
	Part Time	20	27	16	24	8	50.0%	4	20.0%
Sub-Totals	**Full Time**	**2,428**	**2,340**	**2,041**	**2,062**	**21**	**1.0%**	**-366**	**-15.1%**
	Part Time	**1,951**	**1,604**	**1,253**	**1,403**	**150**	**12.0%**	**-548**	**-28.1%**
Total Full-time Equivalent (FTEs)		**4,379**	**3,944**	**3,294**	**3,465**	**171**	**5.2%**	**-914**	**-20.9%**

Note: Different totals may appear due to rounding.
Source: City Colleges of Chicago FY2018 Annual Operating Budget, p. 187; and FY2019 Tentative Annual Operating Budget, p. 201.

The following chart displays the unrestricted operating funds appropriations for salaries and benefits between FY2015 and FY2019. The FY2019 tentative budget of nearly $217.1 million for salaries and benefits is an increase of $5.3 million, or 2.5%, from the FY2018 adopted budget of $211.8 million. Over the five-year period, salaries will decrease by $15.9 million, or 8.2%, while benefits will increase by $10.5 million or 35.9%.

City Colleges Unrestricted Operating Funds Personnel Appropriations: FY2015-FY2019 (in $ thousands)

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Adopted Budget	FY2019 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year $ Change
Salaries	$ 193,183	$ 194,989	$ 192,376	$ 172,032	$ 177,318	$ 5,286	3.1%	$ (15,865)	-8.2%
Benefits	$ 29,276	$ 45,280	$ 39,630	$ 39,795	$ 39,776	$ (19)	0.0%	$ 10,500	35.9%
Total	**$ 222,459**	**$ 240,269**	**$ 232,006**	**$ 211,828**	**$ 217,094**	**$ 5,267**	**2.5%**	**$ (5,364)**	**-2.4%**

Note: Unrestricted Operating Funds in this chart: Includes the Education Fund, Operations & Maintenance Fund and the Liability, Protection, and Settlement Fund. Not the Auxiliary/Enterprise Fund.
Source: City Colleges of Chicago FY2017 Annual Operating Budget, pp. 64-68; FY2018 Annual Operating Budget, pp. 55-58; and FY2019 Tentative Annual Operating Budget, pp. 55-59.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of governmental funds and is a measure of financial resources.[81] The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain an unrestricted general fund fund balance of no less than two months, or 16.7%, of regular general fund operating revenues or regular general fund operating expenditures.

[81] Government Finance Officers Association (GFOA), Fund Balance Guidelines for the General Fund (Best Practice Adopted September 2015).

City Colleges is a special purpose, not a general purpose government, but its size and the relative instability of its revenue stream make it prudent for the District to maintain adequate reserves. The GFOA also recommends that each unit of government adopt a formal policy that considers the unit's own specific circumstances and that a smaller fund balance ratio may be appropriate for the largest governments. Since the fund balance ratio reflects the savings that a government has accumulated relative to its expenditures for the fiscal year, it is an indicator of the government's financial ability to maintain current service levels.

City Colleges has a fund balance policy for the District to maintain an unrestricted fund balance equal to 3.0% of the total annual operating expenses within the unrestricted funds, which include the Education Fund, Operations & Maintenance Fund, Auxiliary/Enterprise Fund and Working Cash Fund.[82] Any additional fund balance is transferred to the restricted Operations & Maintenance Fund, also referred to as the Capital Fund. The policy also includes principles to help guide the District in managing its fund balances, including not using operating fund balance to finance current operations, recognizing bond ratings and credit implications, considering the District's limited revenue sources and using fund balances to support capital improvements but always maintaining a healthy reserve.[83]

Beginning in FY2011, many governments changed the way they reported fund balance per the implementation of the Governmental Accounting Standards Board (GASB) Statement 54, which reclassifies fund balance components within governmental funds. City Colleges of Chicago, however, is not required to implement the GASB changes because as a public college system it only has business-type funds. Therefore, City Colleges reports net position for all of its funds. The City Colleges of Chicago recently provided information to the Civic Federation that makes adjustments to past years' Statements of Net Position to comply with both GASB Statements 54 and 63. In this report, the Civic Federation is using the information provided by the District to report unrestricted net assets and data directly from Comprehensive Annual Financial Reports (CAFRs).

The following table shows City Colleges' unrestricted fund balance ratio of unrestricted net position to total operating expenses from FY2008 through FY2017. For the majority of this ten-year period, the fund balance ratio remained close to 50%, meaning that the District had reserves that could cover about half a year of operating expenses. This level was well above the 16.7% ratio recommended by the GFOA and the District's own policy guidelines.

In FY2015 the fund balance ratio decreased from 48.2% of operating expenses to 26.8% due to use of reserves for the continuing construction of the new Malcolm X campus.[84] The fund balance level dropped significantly again in FY2016 to 4.8%, mostly due to the District drawing down its reserves by $59.0 million to cover an operating loss at the District driven by the State budget impasse.[85] In FY2017 the fund balance fell to negative $37.7 million. The net position that year fell significantly due to a decrease in federal grants, a lack of sufficient State funding

[82] The policy was adopted by the Board of Trustees as Resolution #33109 on December 1, 2016. City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 28.
[83] City Colleges of Chicago, FY2019 Tentative Annual Operating Budget, p. 28.
[84] City Colleges of Chicago, FY2015 Comprehensive Annual Financial Report, p. 3.
[85] Information provided by City Colleges of Chicago Finance Department on May 30, 2017 and July 13, 2017.

and a decrease in tuition revenue.[86] Additionally, the State of Illinois approved supplemental funding to community colleges for FY2017 too late for City Colleges to recognize it as revenue that year, so an additional $31.4 million from the State will be recognized in FY2018.

City Colleges Unrestricted Fund Balance Ratio FY2008-FY2017			
	Unrestricted Net Position	Operating Expenses	Ratio
FY2008	$ 166,715,957	$ 389,995,809	42.7%
FY2009	$ 191,280,203	$ 372,202,855	51.4%
FY2010	$ 199,852,756	$ 404,365,535	49.4%
FY2011	$ 227,551,818	$ 435,306,374	52.3%
FY2012	$ 254,977,399	$ 449,612,320	56.7%
FY2013	$ 254,548,655	$ 477,356,341	53.3%
FY2014	$ 221,854,399	$ 460,397,991	48.2%
FY2015	$ 135,002,378	$ 503,729,283	26.8%
FY2016	$ 24,896,253	$ 521,994,070	4.8%
FY2017	$ (37,672,764)	$ 519,626,585	-7.2%

Note: FY2008-FY2012 data was reclassifed to comply with GASB Statements 54 and 63.

Source: Information provided by City Colleges of Chicago budget staff, March 13, 2015 and FY2013-FY2017 CAFRs.

Two years of underfunding by the State of Illinois in FY2016 and FY2017 led to the depletion of City Colleges' reserves. However, the District has committed to replenishing its reserves by using the proceeds from the sale of several of its buildings, including the central office located in downtown Chicago.[87] The District expects to finalize the $34 million sale of the central office building after the start of the 2019 fiscal year.[88]

CAPITAL BUDGET

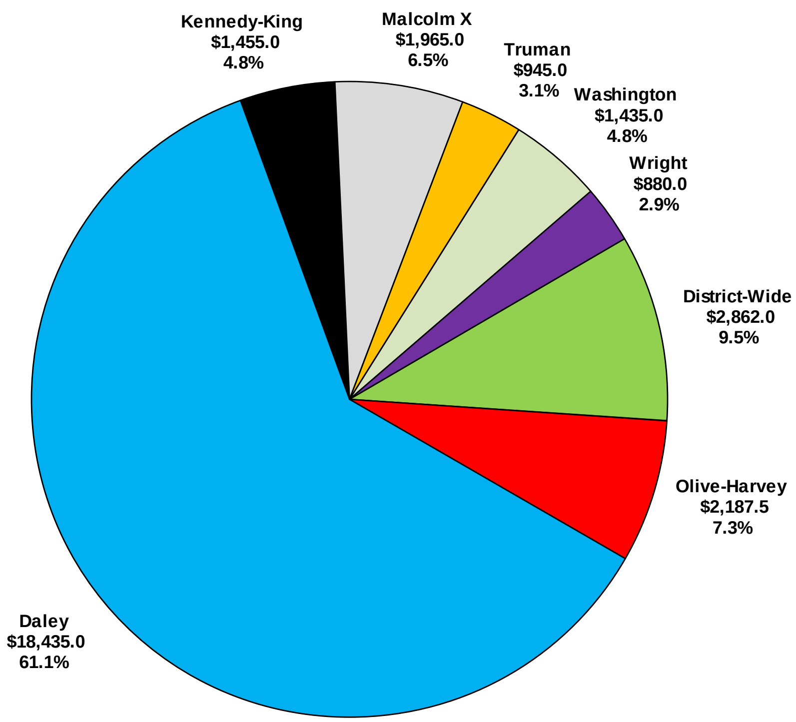
City Colleges prepares a capital budget at the same time as the operating budget. In FY2019 the total capital budget is proposed to be approximately $30.2 million. The distribution of the FY2019 capital budget by location is shown below.

The largest amount of projected capital spending in FY2019, at $18.4 million, or 61.1%, of all capital spending, will be earmarked for Daley College. Those funds will be spent primarily for the design and construction of a new Advanced Manufacturing and Engineering Center.[89] About $2.2 million, or 7.3% of the capital budget, will be used to complete construction at the Olive-

[86] City Colleges of Chicago, FY2017 Comprehensive Annual Financial Report, p. 4.
[87] Information provided by City Colleges of Chicago Finance Department on July 13, 2017.
[88] Information provided by City Colleges of Chicago Finance Department on June 4, 2018.
[89] City Colleges of Chicago, FY2019 Tentative Annual Operating Budget, pp. 40-41.

Harvey Campus to include a new 103,000-square-foot Transportation, Distribution and Logistics building.[90]

City Colleges FY2019 Total Capital Budget for Existing Facilities by Location (in $ thousands)



Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 44-46.

[90] City Colleges of Chicago, FY2019 Tentative Annual Operating Budget, p. 41.

The next exhibit shows the FY2019 total capital budget by type of expenditure. Approximately $17.8 million, or 58.8%, of the budget will be earmarked for new facilities.

City Colleges Total Approved Capital Projects by Type: FY2019 ($ in thousands)		
Type	**$ Amount**	**% of Total**
New Facilities	$17,750.0	58.8%
Information Technology	$ 5,672.0	18.8%
Architectural and Structural	$ 3,340.0	11.1%
Conveying Systems	$ 1,015.0	3.4%
Campus Security	$ 610.0	2.0%
Environmental and Compliance	$ 435.0	1.4%
Academic Enhancements	$ 427.5	1.4%
Mechanical Systems	$ 327.5	1.1%
Equipment	$ 300.0	1.0%
Electrical Systems	$ 287.5	1.0%
Total	**$30,164.5**	**100.0%**

Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 43.

Capital Improvement Plan

City Colleges' Capital Improvement Plan (CIP) includes a comprehensive survey of all existing capital assets conducted by a team of architects and engineers, a condition assessment of all existing capital assets and a cost estimate related to the ongoing replacement and maintenance of those assets. Projects are then prioritized and planned using needs-based criteria.

In FY2014 CCC created its first five-year Capital Plan. The second five-year $236.8 million plan commences on July 1, 2018. A presentation of the capital improvement plan (CIP) for FY2019-FY2023 by type of project for City Colleges follows. Approximately 42.9% of the total CIP amount, or $101.6 million, is projected for new facilities.

Proposed Capital Projects by Type: FY2019-FY2023 (in $ thousands)							
Type	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**Total**	**% of Total**
New Facilities	$ 17,750.0	$ 12,525.0	$ 28,875.0	$ 27,350.0	$ 15,075.0	$ 101,575.0	42.9%
Information Technology	$ 5,672.0	$ 9,032.0	$ 10,017.0	$ 9,992.0	$ 9,717.0	$ 44,430.0	18.8%
Architectural & Structural	$ 3,340.0	$ 15,275.0	$ 10,420.0	$ 6,815.0	$ 6,070.0	$ 41,920.0	17.7%
Conveying Systems	$ 1,015.0	$ 3,540.0	$ 3,440.0	$ 3,130.0	$ 2,945.0	$ 14,070.0	5.9%
Mechanical Systems	$ 327.5	$ 3,998.8	$ 2,958.0	$ 2,476.0	$ 2,104.5	$ 11,864.8	5.0%
Academic Enhancements	$ 427.5	$ 2,732.5	$ 2,157.5	$ 1,382.5	$ 707.5	$ 7,407.5	3.1%
Campus Security	$ 610.0	$ 1,852.5	$ 1,605.0	$ 1,390.0	$ 1,330.0	$ 6,787.5	2.9%
Electrical Systems	$ 287.5	$ 1,247.0	$ 937.0	$ 937.0	$ 737.0	$ 4,145.5	1.7%
Environmental & Compliance	$ 435.0	$ 600.0	$ 600.0	$ 600.0	$ 600.0	$ 2,835.0	1.2%
Equipment	$ 300.0	$ 450.0	$ 375.0	$ 390.0	$ 345.0	$ 1,860.0	0.8%
Grand Total	**$ 30,164.5**	**$ 51,252.8**	**$ 61,384.5**	**$ 54,462.5**	**$ 39,631.0**	**$ 236,895.3**	**100.0%**

Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 44-46.

CIP spending by location for FY2019-FY2023 shows that 29.0% of all funding, or $68.7 million, will be earmarked for Wright College. The second largest amount spent over this five-year period will be the $41.3 million, 17.4% of the total, to be utilized for Daley College.

Proposed Capital Projects by Location: FY2019-FY2023 (in $ thousands)							
College or Office	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**Total**	**% of Total**
Wright College	$ 880.0	$ 10,542.5	$ 23,987.5	$23,312.5	$ 9,937.5	$ 68,660.0	29.0%
Daley College	$18,435.0	$ 7,363.1	$ 6,474.6	$ 5,205.5	$ 3,847.0	$ 41,325.2	17.4%
Harold Washington College	$ 1,435.0	$ 8,025.0	$ 8,035.0	$ 7,460.0	$ 7,460.0	$ 32,415.0	13.7%
District-Wide	$ 2,862.0	$ 4,872.0	$ 6,072.0	$ 6,072.0	$ 5,872.0	$ 25,750.0	10.9%
Truman College	$ 945.0	$ 7,245.2	$ 7,005.4	$ 3,760.0	$ 2,494.5	$ 21,450.1	9.1%
Kennedy-King College	$ 1,455.0	$ 4,055.0	$ 4,692.5	$ 3,642.5	$ 4,400.0	$ 18,245.0	7.7%
Olive-Harvey College	$ 2,187.5	$ 5,930.0	$ 2,430.0	$ 2,105.0	$ 1,930.0	$ 14,582.5	6.2%
Malcolm X College	$ 1,965.0	$ 3,220.0	$ 2,687.5	$ 2,905.0	$ 3,690.0	$ 14,467.5	6.1%
Total	**$ 30,165**	**$ 51,253**	**$ 61,385**	**$ 54,463**	**$ 39,631**	**$ 236,895.3**	**100.0%**

Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, pp. 44-46.

Approximately $199.6 million, or 84.3%, of total CIP funding will come from local sources such as cash available for capital purposes and bond proceeds. State source funds from the Illinois Capital Development Board totaling $37.2 million will provide monies for the remaining amount.

City Colleges Funding Sources for Capital Improvement Plan: FY2019-FY2023 (in $ millions)	
	FY2019-FY2023
Sources	
Cash available for capital purposes	$ 136.6
Illinois Capital Development Board Contribution	$ 37.2
Bond Proceeds	$ 63.0
Total	**$ 236.8**

Source: City Colleges of Chicago FY2019 Tentative Annual Operating Budget, p. 47.

LIABILITIES

This section of the analysis provides an overview of City Colleges' short- and long-term liabilities from FY2013 through FY2017, the most recent years for which audited data are available.

Short-Term Liabilities

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. City Colleges of Chicago currently reports no short-term debt, but does include the following short-term liabilities in the Statement of Net Position in its Comprehensive Annual Financial Report:[91]

[91] In fiscal year 2013, City Colleges implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* early, which resulted in a reclassification of deferred property tax revenues to deferred inflows of resources.

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

The following chart shows short-term liabilities by category and the percent and dollar change over the previous year and past five years. In FY2017, the most recent year for which data are available, total short-term liabilities decreased by nearly $21.9 million from the previous year, or by 31.3%. Much of this large decrease was due primarily to a decrease of $22.0 million in accounts payable.[92]

Between FY2013 and FY2017, accounts payable, the largest component of current liabilities, decreased by 61.2% or $19.2 million. They fell from $31.4 million to roughly $12.2 million. Between FY2013 and FY2014, accounts payable increased by 24.6% from $31.4 million to $39.1 million because of higher capital spending on the new Malcolm X College campus building.[93] Between FY2014 and FY2015, accounts payable rose again by $3.1 million, or 7.8%. However, in FY2016 accounts payable decreased by $7.9 million, or 18.9% due to the completion of various capital projects. The $22.0 million decrease in accounts payable from FY2016 to FY2020 was again primarily related to timing of spending on Malcolm X College capital construction.[94]

In the five year period between FY2013 and FY2017, total current liabilities decreased by 12.3%, or $6.7 million.

City Colleges Short-Term Liabilities: FY2013-FY2017
(in $ thousands)

Current Liability	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accounts Payable	$ 31,427.7	$ 39,147.0	$ 42,198.8	$ 34,235.8	$ 12,189.1	$ (22,046.7)	-64.4%	$ (19,238.6)	-61.2%
Accrued Payroll	$ 3,438.7	$ 8,180.0	$ 13,475.8	$ 15,888.3	$ 18,252.2	$ 2,363.9	14.9%	$ 14,813.5	430.8%
Deposits Held In Custody	$ 1,414.0	$ 1,489.3	$ 1,228.7	$ 1,060.0	$ 1,033.1	$ (26.9)	-2.5%	$ (380.9)	-26.9%
Other Liabilities	$ 17,639.8	$ 12,453.3	$ 10,106.3	$ 13,042.7	$ 10,720.2	$ (2,322.5)	-17.8%	$ (6,919.6)	-39.2%
Other Accruals	$ 896.2	$ 5,932.4	$ 3,246.2	$ 5,693.8	$ 5,872.8	$ 179.0	3.1%	$ 4,976.6	555.3%
Total Current Liabilities	**$ 54,816**	**$ 67,202**	**$ 70,255.8**	**$ 69,920.6**	**$ 48,067.4**	**$ (21,853.2)**	**-31.3%**	**$ (6,749.0)**	**-12.3%**

Note: Accrued property tax refunds were reclassified in 2013 and are now included in non-current liabilities as a result of implementation of GASB Statement No. 65.
Sources: City Colleges Comprehensive Annual Financial Reports, FY2013-FY2017.

Increasing current liabilities as a percentage of net operating revenues may be a warning sign of a government's future financial difficulties.[95] This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

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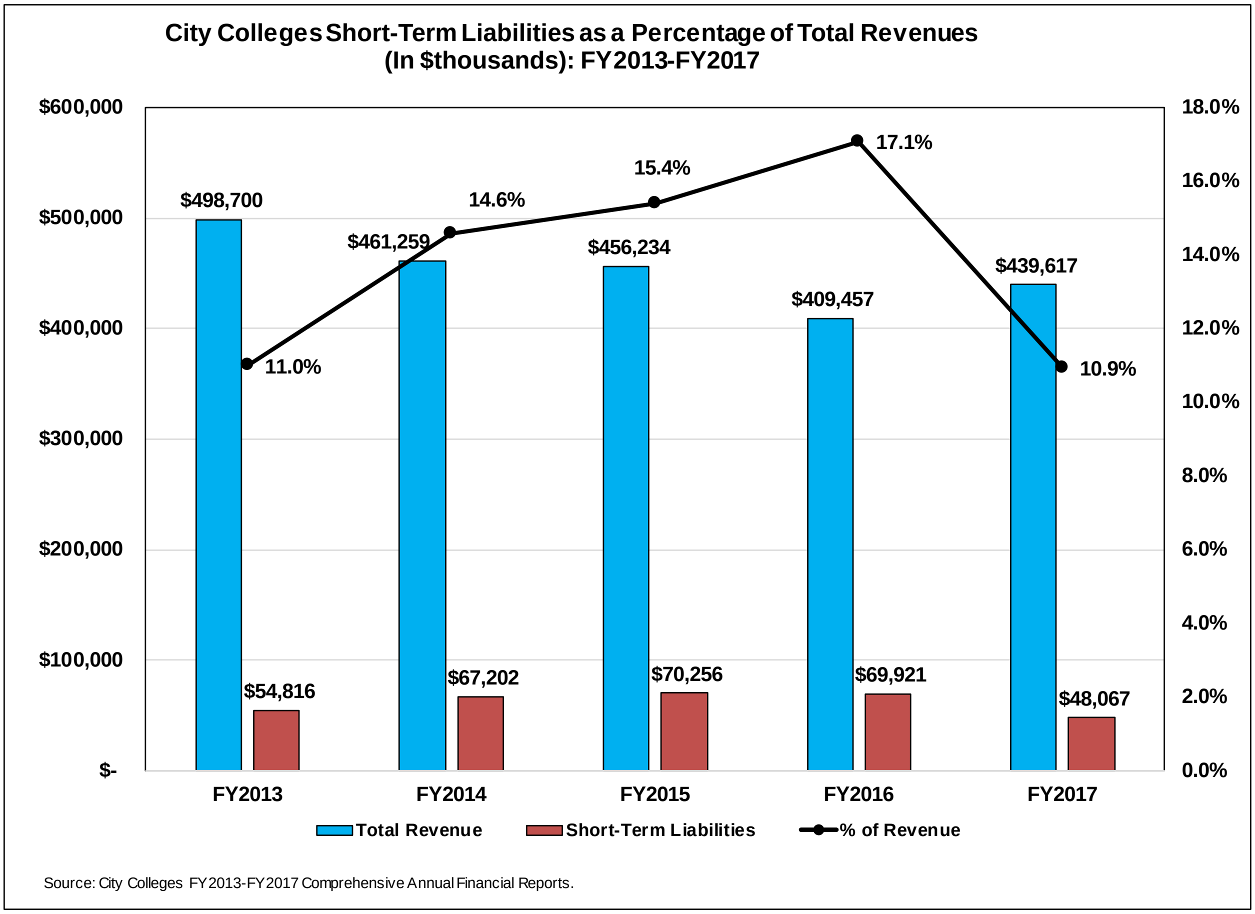
[92] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 5.
[93] Information provided by City Colleges of Chicago Finance Department, June 15, 2015.
[94] Information provided by City Colleges of Chicago Finance Department, June 12, 2018.
[95] Karl Nollenberger, et al., *Evaluating Financial Condition: A Handbook for Local Government* (Washington, D.C.: ICMA, 2003), p. 77.

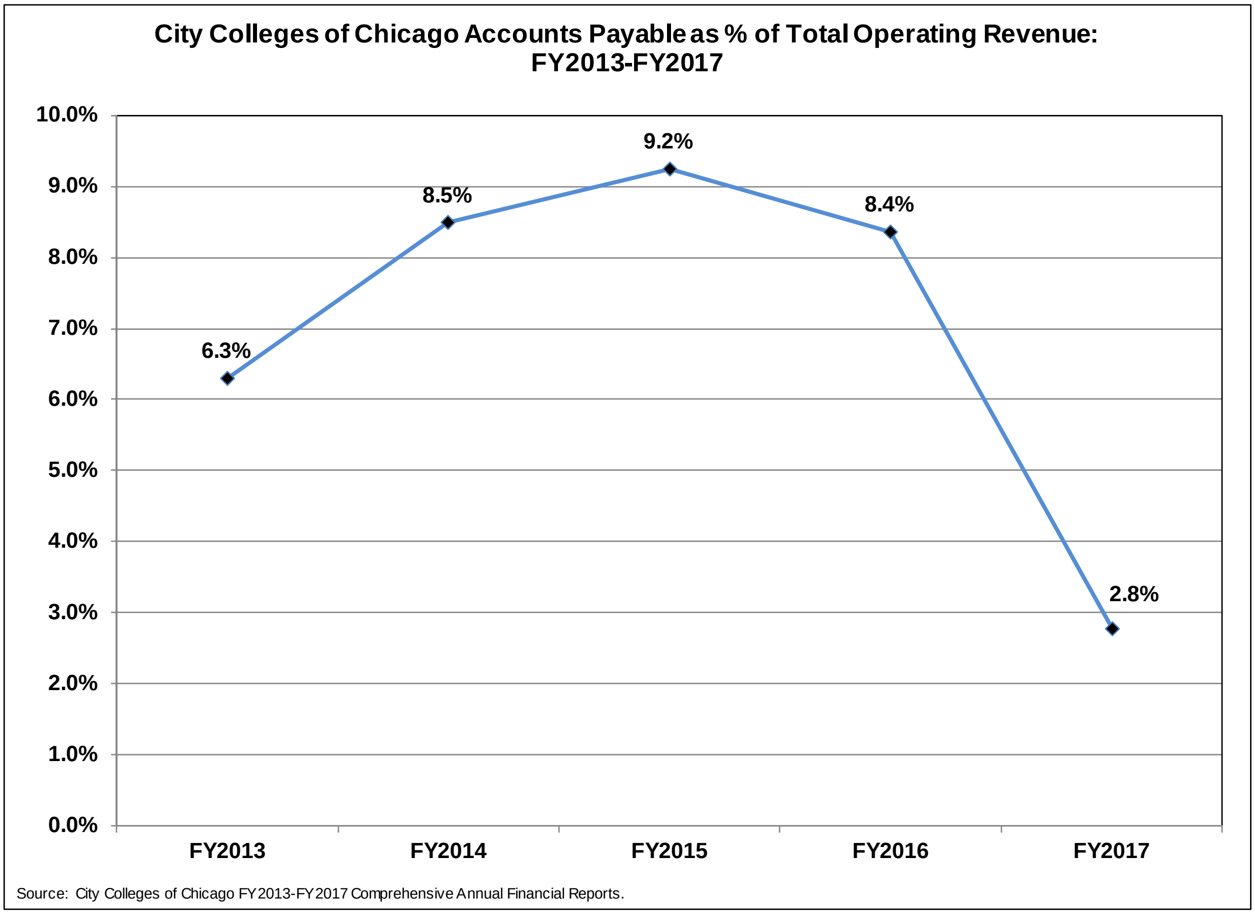
The ratio of short-term liabilities to operating revenue has slightly decreased over the past five years from 11.0% in FY2013 to 10.9% in FY2017. It rose steadily from 11.0% in FY2013 to 17.1% in FY2016 as revenues declined relative to short-term liabilities. However, in FY2017, total revenues increased and short-term liabilities decreased significantly due primarily to a decline in accounts payable, resulting in a drop of the ratio from 17.1% to 10.9%.



Accounts Payable to Operating Revenues Ratio

The next exhibit shows the ratio of accounts payable to operating revenues. Increasing amounts of accounts payable can indicate that the government is deferring payment of outstanding liabilities due to liquidity problems.

The accounts payable ratio for City Colleges rose from 6.3% in FY2013 to 9.2% in FY2015 before dropping to 8.4% in FY2016 and then dropping sharply to 2.8% in FY2017. The decrease in the ratio is a positive sign.



Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[96] In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of the District:[97]

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[96] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations*, Upper Saddle River, NJ, 2001, p. 476.

[97] The Civic Federation does not include unearned revenue (also called **deferred revenues**) in our short-term liability trend analysis for the following reasons:

- Unearned revenue is from property taxes, program fees and other sources received before a good or service has been provided.
- It is classified as a current liability on the balance sheet until it is recognized as earned during the accounting cycle; and

- *Cash and investments* are 1) assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit as well as 2) any investments that the District has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables* are monetary obligations owed to the government including property taxes, replacement taxes and State or federal aid; and
- *Prepaid items and other assets* represent amounts paid as of June 30 whose recognition is postponed to a future period. Prepaid expenses consist primarily of prepayments to vendors for maintenance contracts.[98]

The City Colleges' current ratio was 3.2 in FY2017, the most recent year for which data is available. In the past five years, the District's current ratio averaged 4.0, which is far greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2013 and FY2016, the current ratio fell from 6.7 to 2.5 primarily because of a $187.7 million, or 51.4%, decrease in assets fueled by large drops in cash and cash equivalents as well as short-term investment returns versus a 27.6%, $15.1 million, increase in current liabilities. The ratio improved in FY2017 because liabilities decreased from the previous year by 31.3%, or $21.9 million, even as assets dropped by 12.2% or $21.7 million.

City Colleges Current Ratio:
FY2013 - FY2017 (in $ thousands)

	FY2013	FY2014	FY2015	FY2016	FY2017	Five-Year $ Change	Five-Year % Change
Current Assets							
Cash and cash equivalents	$ 88,030.0	$ 39,362.0	$ 38,847.9	$ 27,901.0	$ 11,126.1	$ (76,903.9)	-87.4%
Short-term investments	$178,811.9	$154,774.0	$ 90,441.7	$ 49,977.1	$ 44,118.6	$(134,693.3)	-75.3%
Property taxes receivable, net	$ 58,522.1	$ 58,142.0	$ 58,803.2	$ 57,686.5	$ 57,929.4	$ (592.7)	-1.0%
PPRT taxes receivable	$ 2,584.5	$ 2,300.0	$ 2,390.9	$ 2,400.7	$ 2,326.9	$ (257.6)	-10.0%
Other accounts receivable, net	$ 37,204.1	$ 34,342.0	$ 31,880.8	$ 39,602.7	$ 40,409.5	$ 3,205.4	8.6%
Prepaid items and other assets	$ 90.7	$ 160.5	$ 136.7	$ -	$ -	$ (90.7)	-100.0%
Total Current Assets	**$365,243.3**	**$289,080.5**	**$222,501.2**	**$177,568.0**	**$155,910.5**	**$(209,332.8)**	**-57.3%**
Current Liabilities							
Accounts Payable	$ 31,427.7	$ 39,147.0	$ 42,198.8	$ 34,235.8	$ 12,189.1	$ (19,238.6)	-61.2%
Accrued Payroll	$ 3,438.7	$ 8,180.0	$ 13,475.8	$ 15,888.3	$ 18,252.2	$ 14,813.5	430.8%
Deposits Held In Custody	$ 1,414.0	$ 1,489.3	$ 1,228.7	$ 1,060.0	$ 1,033.1	$ (380.9)	-26.9%
Other Liabilities	$ 17,639.8	$ 12,453.3	$ 10,106.3	$ 13,042.7	$ 10,720.2	$ (6,919.6)	-39.2%
Other Accruals	$ 896.2	$ 5,932.4	$ 3,246.2	$ 5,693.8	$ 5,872.8	$ 4,976.6	555.3%
Total Current Liabilities	**$ 54,816.4**	**$ 67,202.0**	**$ 70,255.8**	**$ 69,920.6**	**$ 48,067.4**	**$ (6,749.0)**	**-12.3%**
Current Ratio	**6.7**	**4.3**	**3.2**	**2.5**	**3.2**		

FY2013-FY2017 Comprehensive Annual Financial Reports, Statement of Net Assets and Statement of Net Position.

Long-Term Liabilities

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

- For the governments we analyze, unearned revenue usually refers to property tax revenues levied but not spent; it is an issue related to the timing of property tax collections and not an issue of fiscal stress.

[98] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 22.

Long-term liabilities are all of the obligations owed by a government over time. Increases in long-term liabilities over time could be a sign of fiscal stress. For City Colleges they include long-term debt as well as the following categories:

- *Bonds Payable* are amounts reported for tax supported long-term debt;
- *Bond Premiums and Discounts* are deferred and amortized over the life of the bonds using the effective interest method;[99]
- *Accrued Compensated Absences* are liabilities owed for current employees' time off with pay for vacations, holidays and sick days;
- *Accrued Property Tax Refunds* are property taxes that may be refunded to taxpayers in the future;
- *Sick Leave Benefits* are payments to retirees for accumulated unused sick days;[100] and
- *Net Other Post-Employment Benefit (OPEB) liabilities* is the cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB cost and the employer's contributions to its OPEB Plan.[101]

The District's total long-term liabilities increased by $11.5 million, or 3.5%, between FY2016 and FY2017. Over the five-year period between FY2013 and FY2017, these liabilities increased by 410.8% or $276.0 million. Most of the five-year increase was due to the issuance of $250.0 million in bonds in FY2013.

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

The District completed its first bond issuance since the transfer of its general obligations to the City of Chicago of $250.0 million in October 2013 to fund its long-term capital plan. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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[99] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 24.

[100] During FY2012, the Board amended the unused and accrued sick time policy so that effective July, 1, 2012, non-union employees hired before January 1, 2012 may receive payment for the lesser of accumulated sick days through July 1, 2012 or accumulated sick days through the time of retirement. Non-union employees hired after January 1, 2012 are not eligible for sick leave payout. Sick leave payout for union employees hired before June 7, 2012 is capped at the amount accrued as of July 1, 2014 and has been eliminated for those hired after June 7, 2012. City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 38.

[101] City Colleges' OPEB Plan includes health and life insurance for retired employees. Currently, City Colleges provides subsidized coverage for the medical, dental and vision insurance for a period of 10 years from the employee's retirement date. Retired employees are covered for life insurance for a period of six to ten years, with City Colleges paying the cost of the coverage. During the ten-year subsidy period, City Colleges pays approximately 85% of the cost of the premiums and retirees pay approximately 15% of the cost of the medical, dental and vision coverage. City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, pp. 36-41.

The largest increase between FY2013 and FY2017 for non-debt expenses was for other post-employment benefits, which rose by 70.0%, from $35.5 million to $60.3 million. The liability for sick leave benefits decreased by 71.8% or $12.8 million while accrued compensation absences liabilities decreased by 5.6%, or $176,400.

City Colleges Long Term Liabilities: FY2013-FY2017
(in $ thousands)

Liability	FY2013	FY2014	FY2015	FY2016	FY2017	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Accrued Compensated Absences	$ 3,165.7	$ 3,019.0	$ 3,109.3	$ 3,065.7	$ 2,989.3	$ (76.4)	-2.5%	$ (176.4)	-5.6%
Accrued Property Tax Refunds	$ 10,737.1	$ 11,873.2	$ 14,939.7	$ 16,277.3	$ 19,122.0	$ 2,844.7	17.5%	$ 8,384.9	---
Sick Leave Benefits	$ 17,834.0	$ 11,457.0	$ 8,857.8	$ 6,727.9	$ 5,021.6	$ (1,706.3)	-25.4%	$ (12,812.4)	-71.8%
Other Post-Employment Benefits	$ 35,459.8	$ 39,704.0	$ 42,414.1	$ 54,598.8	$ 60,267.7	$ 5,668.9	10.4%	$ 24,807.9	70.0%
Bonds Payable	$ -	$ 250,000.0	$ 250,000.0	$ 245,995.0	$ 241,830.0	$ (4,165.0)	---	$ 241,830.0	---
Bonds Premiums and Discounts	$ -	$ 7,407.0	$ 6,211.9	$ 5,094.7	$ 4,103.1	$ (991.6)	---	$ 4,103.1	---
Lease Obligations	$ -	$ -	$ -	$ -	$ 9,897.0	$ 9,897.0	---	$ 9,897.0	---
Total	**$ 67,196.6**	**$ 323,460.2**	**$ 325,532.8**	**$ 331,759.4**	**$ 343,230.7**	**$ 11,471.3**	**3.5%**	**$ 276,034.1**	**410.8%**

Note: Accrued property tax refunds were reclassified in 2013 and are now included in non-current liabilities.
Source: City Colleges of Chicago FY2013-FY2017 CAFRs, Note 8: Changes in Non-Current Liabilities, p. 37.

Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.[102]

City Colleges debt service appropriations in the proposed budget for FY2019 are expected to be $20.9 million, or 4.8% of total appropriations of $438.0 million.[103] The ratio remains well below the 15% threshold deemed by the rating agencies to be high. Debt service spending will increase from the previous year when it represented $16.9 million, or 3.8% of total appropriations of $442.6 million.[104] The FY2017 increase is due to the issuance of $78.1 million in general obligation bonds that will be used to finance the design and construction of a new Advanced Manufacturing and Engineering Center at Daley College and a new 103,000-square-foot Transportation, Distribution and Logistics building at Olive Harvey College.[105]

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[102] Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.
[103] City Colleges of Chicago. FY2019 Tentative Annual Operating Budget, p. 50.
[104] City Colleges of Chicago. FY2019 Tentative Annual Operating Budget, p. 50.
[105] City Colleges of Chicago, FY2019 Tentative Annual Operating Budget, p. 41.

City Colleges Bond Ratings

City Colleges had the following credit ratings as of June 2018:

City Colleges Bond Ratings as of June 2018	
Standard & Poor's	BBB
Fitch Ratings	A+

Sources: Official Statement: $78,065,000 Community College District Number 508 Unlimited Tax Obligation Bonds Series 2017; Reuters. "S & P Downgrades Six Illinois Universities' Credit Ratings," April 20, 2017 at https://www.usnews.com/news/us/articles/2017-04-20/s-p-downgrades-six-illinois-universities-credit-ratings and Fitch Ratings. "Fitch Downgrades Community College Dist. No. 508 (City Colleges of Chicago), IL GOs to 'A+', March 28, 2017.

Over the past several years the rating agencies have significantly downgraded the City Colleges' credit.

In April 2017, Standard and Poor's lowered the credit rating for the District from A- to BBB, two notches above junk status, because of concerns that failure to resolve the ongoing State of Illinois budget crisis could lead to a loss of State funding for the District.[106]

Fitch downgraded the City Colleges' credit from AA- to A+ with a stable outlook in March 2017 based on the prolonged fiscal stress brought on by failure to end the State's two-year budget crisis as well as the District's drawdown of reserves to balance its operating budget.[107] In November 2017 Fitch revised its outlook to negative.[108]

Standard and Poor's had previously downgraded City Colleges credit ratings two notches in April 2016 from AA to A- because the District previously had significantly drawn down its reserves to balance its FY2017 budget as well as continued uncertainty over State funding due to the State's budget crisis.[109]

PENSION

The majority of City Colleges' employees are enrolled in the State Universities Retirement System (SURS) of Illinois, a multi-employer defined benefit plan to which the State of Illinois makes the vast majority of employer contributions.

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[106] Reuters. "S & P Downgrades Six Illinois Universities' Credit Ratings," April 20, 2017 at . https://www.usnews.com/news/us/articles/2017-04-20/s-p-downgrades-six-illinois-universities-credit-ratings.

[107] Fitch Ratings. "Fitch Downgrades Community College Dist. No. 508 (City Colleges of Chicago), IL GOs to 'A+', March 28, 2017.

[108] City Colleges of Chicago. Investor Relations, Overview of Series 2017 Bonds at http://www.ccc.edu/menu/Pages/Investor-Relations.aspx.

[109] Yvette Shields, "Chicago City Colleges Hit with Downgrade," *Bond Buyer*, April 22, 2016.

Provisions in the State of Illinois Budget Implementation Bills (BIMPs) for FY2018 and FY2019 could increase the amount of contributions City Colleges makes to SURS on behalf of its employees in the future.

Public Act 100-0023, the FY2018 BIMP, created a Tier 3 hybrid pension plan option that was intended to be the default plan for new hires in SURS. Tier 1 members of Illinois pension plans were hired before January 1, 2011. Tier 2 members were hired on and after January 1, 2011. Tier 3 was to begin once the new benefits could be put into place. The bill gave the State Universities Retirement System time to develop and implement the new tier of benefits. However, SURS recently announced that it is not moving forward on implementing the new tier of benefits because additional clarifying legislation is needed. According to a release, "SURS staff worked extensively last year with the General Assembly on a trailer bill that would have provided necessary clarifications; but that bill failed to pass."[110]

Under P.A. 100-0023, Current Tier 2 members and new hires were intended to be able to irrevocably choose between the Tier 2 and Tier 3 plans. New hires would additionally be able to choose the Self-Managed Plan. The FY2018 BIMP would also have required community colleges, universities and school districts to cover all pension costs for new employees once the new tier of benefits went into effect.[111] Finally, the bill requires the employer to pay the employer normal cost of the portion of an employee's earnings that exceeds the amount of salary set for the governor, for academic years beginning on or after July 1, 2017.

P.A. 100-0587, the FY2019 BIMP, contained several provisions that will impact the amount that the State will pay to SURS on behalf of all participating employers, including City Colleges. It also could impact City Colleges' own contributions by lowering the cap on pension spiking to 3% from the previous 6%. Additional pension costs due to salary increases above 3% will be paid for by local school districts, universities and community colleges. The State is expected to save $22 million in FY2019 due to the cost shift.

Currently there are 4,902 active City Colleges employees enrolled in the SURS retirement plan. All full-time faculty and staff contribute to SURS except temporary workers, who contribute to Social Security. There are also active employees contributing to Social Security. These employees are temporary or irregular status workers, staff who work less than four months consecutively, students or re-hired retirees.[112]

Tier 1 and 2 SURS members contribute 8.0% of their annual covered salary to the pension fund. The State of Illinois makes nearly all of the employer pension contributions on behalf of City Colleges for Tier 1 and 2 employees and retirees.[113] City Colleges makes the employer

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[110] State Universities Retirement System, "Update on Optional Hybrid Plan," April 2, 2018. Available at http://www.surs.com/news-article/040218/update-optional-hybrid-plan.
[111] State Universities Retirement System, Legislative/Appropriations webpage, "SB 0042 - Fiscal Year 2018 Budget Implementation Act," available at
http://www.surs.com/legislation?field_type_value=App&sort_by=field_number_value&sort_order=ASC.
[112] Information provided by City Colleges Finance Office, June 21, 2018.
[113] As a member of SURS, a cost-sharing, multiple-employer defined pension plan with a special funding situation, City Colleges is not required to include actuarial information about pensions in its financial statements. However, pursuant to GASB Statement 68, City Colleges reported in its FY2016 financial report a net pension liability,

contribution for Tier 1 and 2 employees for federal, trust or grant positions out of those same grant funds. If it goes into effect, SURS members who choose Tier 3 would contribute the lower of 6.2% of salary or the normal cost of benefits under the defined benefit portion of the plan and a minimum of 4% of salary for the defined contribution portion of the plan.

The employer pension contribution made by the State of Illinois on behalf of City Colleges in FY2017 was reported in the City Colleges financial statements as nearly $134.0 million and is based on contributions actually made by the State to SURS in FY2016.[114] City Colleges' employer contribution for federal, trust or grant-funded positions in FY2017 was $980,280 and is based on contributions actually made in FY2017 but reported as deferred outflows of resources in the FY2017 CAFR.[115]

In FY2017 City Colleges was required to report additional pension information in the notes to its financial statements, as required under GASB 68. City Colleges' proportionate share of the State of Illinois' FY2015 net pension liability for SURS rolled forward to FY2016 was $1.4 billion or 5.2% of the total net pension liability.[116] The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. The concept is similar to the accrued liability less the market value of assets (not the smoothed actuarial value of assets). However the FY2015 total pension liability is measured differently from the accrued liability because the accrued liability is based on the long-term expected rate of return on pension plan investments of 7.25%, while the total pension liability is measured based on a blended discount rate of 7.12%.[117] In any event, because of the special funding situation in which the State of Illinois pays nearly all of the pension contributions on behalf of City Colleges, the District does not need to recognize its proportionate share of the net pension liability in its Statement of Net Position.[118]

OTHER POST EMPLOYMENT BENEFITS (OPEB)

City Colleges began reporting information about other post-employment benefits (OPEB) in its FY2006 CAFR as required by GASB Statement 45. OPEB includes health and life insurance for retirees and their spouses. The District pays for approximately 85% of the medical and life insurance premiums for most retirees. The District increased retiree contributions from approximately 10% in FY2015 to approximately 15% in FY2016. The contribution percentages are negotiated between the District and retirees and can be amended by City Colleges through its personnel manual and union contracts.[119]

Between FY2013 and FY2017 the number of active employee vested members decreased from 1,899 to 1,834. The significant decline in active membership between FY2016 and FY2017 was

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pension expense, and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments that participate in SURS. City Colleges of Chicago FY2016 Comprehensive Annual Financial Report, pp. 30-33.

[114] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 35.

[115] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 35.

[116] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 35.

[117] State Universities Retirement System FY2015 GASB 67 Financial Report, p. 4.

[118] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 35.

[119] City Colleges of Chicago FY2016 Comprehensive Annual Financial Report, p. 35.

due to an audit of the retiree population which allowed the District to exclude non-eligible populations such as part-time status employees.

City Colleges revised its membership data in the FY2015 CAFR for those members currently receiving benefits to include all benefits and all persons covered by the insurance (retiree and dependents). The prior membership data had counted medical coverage for retirees only. The FY2015 CAFR also provided two years of restated data from FY2013 and FY2014, which is presented in the following chart.[120] However in the FY2017 CAFR, only 917 people were reported to be receiving benefits, a significant decline from FY2015. The District confirmed that only retirees receiving medical benefits—not dependents— were reported in FY2017, in comparison to FY2015, when both retirees and beneficiaries were reported.[121]

City Colleges Other Post Employment Benefit Plan:
Active Employees and Current Beneficiaries: FY2013-FY2017

Members	FY2013	FY2014	FY2015	FY2016	FY2017	Five-Year $ Change	Five-Year % Change
Active Employees (vested)	1,899	1,976	2,274	2,390	1,834	(65)	-3.4%
Current Beneficiaries	1,093	1,386	1,279	951	917	(176)	-16.1%
Total	**2,992**	**3,362**	**3,553**	**3,341**	**2,751**	**(241)**	**-8.1%**

Source: City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 39 and FY2015 CAFR, p. 36.

City Colleges has not established an irrevocable trust fund for its OPEB plan; it is funded on a pay-as-you-go basis. However, it had previously been City Colleges' practice to annually invest an amount equal to the increase in the net OPEB obligation in an account designated for its OPEB obligation.[122] However, this contribution was not made in FY2017.[123] City Colleges had $32 million in investments designated for its OPEB obligation in FY2013, which grew to $35 million in FY2014 and to $40 million in FY2015.[124] Historically, City Colleges had considered using the designated funds to establish an irrevocable OPEB trust.[125] However, in FY2017 City Colleges used the $40 million in investments designated for its OPEB obligations to help balance its budget due to a lack of funding from the State of Illinois.[126] The designation was not funded in FY2018 and is not projected to be funded in FY2019.

The FY2017 pay-as-you-go employer contribution of $6.0 million was budgeted as part of the District's employee health insurance costs.[127] The table below shows the difference between the actuarially calculated annual OPEB cost of the employer and the actual payments made by City Colleges from FY2013 to FY2017.[128] The actuarial assumptions used in the calculation included a 3.87% discount rate and an annual healthcare cost trend rate of 6.0%, which is assumed to

[120] Information provided by City Colleges, June 22, 2016.
[121] Information provided by City Colleges Finance Department, June 21, 2018.
[122] Information provided by City Colleges Finance Department, June 30, 2011.
[123] Information provided by City Colleges Finance Department, June 28, 2016.
[124] City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 31 and FY2015, p. 37.
[125] Information provided by City Colleges of Chicago Finance Department, July 6, 2015.
[126] Information provided by City Colleges Finance Department, July 31, 2017.
[127] Information provided by City Colleges Finance Department, August 3, 2010.
[128] The Annual OPEB Cost is a specific accounting term that is calculated and disclosed according to Governmental Accounting Standards Board Statement 45. It is not a funding requirement.

decline to a 4.0% rate by 2022.[129] City Colleges' net OPEB obligation has grown over the five-year period because its annual payments have been less than the annual actuarially calculated OPEB cost.

City Colleges Other Post Employment Benefits: Annual OPEB Cost and Net Obligation FY2013-FY2017							
	FY2013	FY2014	FY2015	FY2016	FY2017	Five-Year $ Change	Five-Year % Change
Annual Actuarial OPEB Cost	$ 11,413,965	$ 11,072,215	$ 11,992,523	$ 14,665,441	$ 11,714,503	$ 300,538	2.6%
Employer Contributions	$ 6,774,237	$ 6,828,202	$ 9,282,215	$ 2,480,807	$ 6,045,603	$ (728,634)	-10.8%
Increase in Net OPEB Obligation	$ 4,639,728	$ 4,244,013	$ 2,710,308	$ 12,184,634	$ 5,668,900	$ 1,029,172	22.2%
% of Annual Actuarial OPEB Cost Contributed	59.4%	61.7%	77.4%	16.9%	51.6%	-7.7%	-13.0%
Net OPEB Obligation (End of Year)	**$ 35,459,799**	**$ 39,703,812**	**$ 42,414,120**	**$ 54,598,754**	**$ 60,267,654**	**$ 24,807,855**	**70.0%**

Source: City Colleges of Chicago FY2015 Comprehensive Annual Financial Report, p. 37; FY2017, p. 40.

The next table shows the Unfunded Actuarial Accrued Liability (UAAL) of the City Colleges' OPEB plan. The actuarial value of assets is not shown because, as mentioned previously, the District does not pre-fund its OPEB obligation through an irrevocable trust. The UAAL was $123.7 million in FY2017, up from nearly $112.5 million in FY2013, but down significantly from the prior year because of the decline in the number of active members due to the audit described above. In the past five years, the UAAL as a percent of covered payroll declined then rose again, falling from a high of 104.6% in FY2013 to a five-year low of 82.7% in FY2015, before growing again to 98.8% in FY2017.

Unfunded Actuarial Accrued Liability of the City Colleges OPEB Plan: FY2013-FY2017					
	FY2013	FY2014	FY2015	FY2016	FY2017
Unfunded Actuarial Accrued Liability (UAAL)	$ 112,458,352	$ 115,158,411	$ 120,853,689	$ 143,642,679	$ 123,660,822
Covered Payroll (active plan members)	$ 107,485,980	$ 128,106,608	$ 146,164,608	$ 148,691,885	$ 125,139,898
UAAL as a % of Covered Payroll	104.6%	89.9%	82.7%	96.6%	98.8%

Note: The actuarial value of assets and liabilities are not shown here because there are no designated assets; thus the actuarial accrued liability is the same as the unfunded actuarial accrued liability and the funded ratio is 0%.
Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2015, p. 38 and FY2017, p. 41.

APPENDIX

Regional Comparison of City Colleges Tuition to Selected Community Colleges

City Colleges of Chicago has made several recent changes to its tuition structure and rates, which has affected how the District's tuition rates compare with other community colleges in the Chicago region.

Prior to the 2015-2016 school year, City Colleges charged a per-credit hour tuition rate, which is a structure also used by other community colleges in northeastern Illinois. At that time, City Colleges had the second lowest tuition compared to ten other selected community college districts in the northeastern Illinois area.

[129] City Colleges of Chicago FY2017 Comprehensive Annual Financial Report, p. 39.

In 2016 City Colleges changed its tuition structure from a per-credit hour structure to a tier-based tuition rate for part-time and full-time students. The tier-based structure charged students a flat fee based on the number of classes taken: full-time in-district students, meaning those taking at least 12 credit hours, paid $1,753 per semester; part-time in-district students taking at least two classes, or between 5 and 11 credit hours, paid a flat rate of $1,069 per semester; and students taking only one class paid a flat rate of $599 per semester.[130]

This change made the City Colleges tuition rate charged to part-time students the highest compared to other northeastern Illinois community colleges. However, as other community colleges made annual increases to their tuition or fees in 2017, the City Colleges tuition rates fell into the middle of the pack.

In April 2018, the City Colleges Board of Trustees approved a new tuition structure that changed the tuition rate from a tier-based rate structure to a hybrid tuition rate structure.[131] Beginning with the summer 2018 semester, part-time students enrolled in fewer than 12 credit hours are charged a rate of $146 per credit hour and full-time students enrolled in 12 credit hours or more of coursework pay a flat rate of $1,752. The new tuition structure charges part-time students the same rate per credit hour as a full-time student enrolled in 12 credit hours.

The following table compares City Colleges' FY2019 tuition rate to ten other selected northeastern Illinois community colleges by credit hour, including mandatory fees. City Colleges' in-district tuition is the lowest among the selected community colleges for students taking 13 or more credit hours, which would be considered full-time. It is the middle of the pack for tuition charged to part-time students taking 1-4 credit hours, or the typical equivalent of one class.

By comparison, Prairie State has the highest tuition rates across the board, with the exception of students taking one credit hour. The College of DuPage currently charges the lowest tuition rates for part-time students taking 1-11 credit hours. The most recent change made to the City Colleges tuition structure makes the District's in-district tuition rates more competitive compared to these other community colleges and caps the rate charged to students taking 12 or more

[130] City Colleges of Chicago FY2018 Tentative Annual Operating Budget, p. 32.
[131] City Colleges of Chicago Board of Trustees, Board Resolution 33420, adopted December 1, 2016.

classes at the same per-credit hour rate for part-time classes, thereby incentivizing full-time course-loads.

Fall 2018 In-District Tuition, Including Mandatory Fees* Per Credit Hour of Eleven Selected Community Colleges												
Class Load**	Credit Hours	Triton College	Elgin College	College of Dupage	Morton College	College of Lake County	Moraine Valley College	South Suburban College	Prairie State College	Harper College	Oakton College	City Colleges of Chicago
One Class	1	$139.0	$138.0	$136.0	$146.0	$141.0	$148.0	$169.75	$174.0	$184.75	$166.25	$146.0
	2	$278.0	$270.0	$272.0	$282.0	$282.0	$293.0	$339.50	$348.0	$333.50	$305.50	$292.0
	3	$417.0	$402.0	$408.0	$418.0	$423.0	$438.0	$509.25	$522.0	$482.25	$444.75	$438.0
	4	$556.0	$534.0	$544.0	$554.0	$564.0	$583.0	$679.00	$696.0	$631.00	$584.00	$584.0
Two to Four Classes (Part-time)	5	$695.0	$666.0	$680.0	$690.0	$705.0	$728.0	$848.75	$870.0	$779.75	$723.25	$730.0
	6	$834.0	$798.0	$816.0	$826.0	$846.0	$873.0	$1,018.50	$1,044.0	$928.50	$862.50	$876.0
	7	$973.0	$930.0	$952.0	$962.0	$987.0	$1,018.0	$1,188.25	$1,218.0	$1,077.25	$1,001.75	$1,022.0
	8	$1,112.0	$1,062.0	$1,088.0	$1,098.0	$1,128.0	$1,163.0	$1,358.00	$1,392.0	$1,226.00	$1,141.00	$1,168.0
	9	$1,251.0	$1,194.0	$1,224.0	$1,234.0	$1,269.0	$1,308.0	$1,527.75	$1,566.0	$1,374.75	$1,280.25	$1,314.0
	10	$1,390.0	$1,326.0	$1,360.0	$1,370.0	$1,410.0	$1,453.0	$1,697.50	$1,740.0	$1,523.50	$1,419.50	$1,460.0
	11	$1,529.0	$1,458.0	$1,496.0	$1,506.0	$1,551.0	$1,598.0	$1,867.25	$1,914.0	$1,672.25	$1,558.75	$1,606.0
Three to Six+ Classes (Full-Time)	12	$1,668.0	$1,590.0	$1,632.0	$1,642.0	$1,692.0	$1,743.0	$2,037.00	$2,088.0	$1,821.00	$1,698.00	$1,752.0
	13	$1,807.0	$1,722.0	$1,768.0	$1,778.0	$1,833.0	$1,888.0	$2,206.75	$2,262.0	$1,969.75	$1,837.25	$1,752.0
	14	$1,946.0	$1,854.0	$1,904.0	$1,914.0	$1,974.0	$2,033.0	$2,376.50	$2,436.0	$2,118.50	$1,976.50	$1,752.0
	15	$2,085.0	$1,986.0	$2,040.0	$2,050.0	$2,115.0	$2,178.0	$2,546.25	$2,610.0	$2,267.25	$2,115.75	$1,752.0
	16	$2,224.0	$2,118.0	$2,176.0	$2,186.0	$2,256.0	$2,323.0	$2,716.00	$2,784.0	$2,416.00	$2,255.00	$1,752.0
	17	$2,363.0	$2,250.0	$2,312.0	$2,322.0	$2,397.0	$2,468.0	$2,885.75	$2,958.0	$2,564.75	$2,394.25	$1,752.0
	18	$2,502.0	$2,382.0	$2,448.0	$2,458.0	$2,538.0	$2,613.0	$3,055.50	$3,132.0	$2,713.50	$2,533.50	$1,752.0
	19	$2,641.0	$2,514.0	$2,584.0	$2,594.0	$2,679.0	$2,758.0	$3,225.25	$3,306.0	$2,862.25	$2,672.75	$1,752.0
	20	$2,780.0	$2,646.0	$2,720.0	$2,730.0	$2,820.0	$2,903.0	$3,395.00	$3,480.0	$3,011.00	$2,812.00	$1,752.0

*Fees associated with certain classes and programs may be higher.

**Class load is approximate because classes can range from 1-6 credit hours per class. Generally one class is 3 or 4 credit hours.

Sources: Websites of selected community college districts as of June 18, 2018; and City Colleges FY2019 Tentative Annual Operating Budget, p. 36.

The following table lists the mandatory fees charged by each of the selected community colleges in northeastern Illinois. The fees in the table below are also incorporated into the tuition rates in the table above. City Colleges does not charge any mandatory fees in addition to tuition; all fees are included in the City Colleges tuition rate.[132]

Fall 2018 Fees Per Credit Hour for Selected Community College Districts	
College	**Fees included**
Triton College (River Grove)	Student service fee $7/hr, auxilary fee $1/hr, technology fee $6/hr, registration $2/hr
Elgin Community College (Elgin)	Enrollment fee $6/semester
College of DuPage (Glen Ellyn)	$32.85 comprehensive fee (included in tuition price)
Morton College (Cicero)	Registration fee $10/semester, comphehensive fee $9/hr, technology fee $9/hr, repair/renovation fee $22/hr
College of Lake County (Grayslake)	$22 comprehensive fee
Moraine Valley Community College (Palos Hills)	Activities fee $2/hr, technology fee $10/hr, construction fee $8/hr, student ID fee $3/semester
South Suburban College (South Holland)	$7.75 student development fee and $10.00 instructional technology fee
Prairie State College (Chicago Heights)	General $30.50 fee (included in tuition price), which consists of a $4 athletic fee, $2 educational fund fee, $0.25 extracurricular fee, $0.25 student activity fee, $15 technology fee, $9 infrastructure fee
Harper College (Palatine)	Activity fee $42 (full-time) and $21 (part-time) per semester, registration fee $15 per semester, universal fee $19/hr
Oakton Community College (Des Plaines)	Audit fee $10/hr, constuction fee $2/hr, student activities fee $3/hr, registration $15/semester
City Colleges of Chicago	No additional fees; fees are included in tuition rates

Sources: Websites of selected community college districts as of June 18, 2018; and City Colleges FY2019 Tentative Annual Operating Budget, p. 36.

[132] City Colleges of Chicago charges different tuition rates for nursing and other specialized programs. For other program tuition and fee rates, see the tuition page of the City Colleges website at http://www.ccc.edu/departments/pages/tuition-and-fees.aspx.