Board of Trustees of the Community College District No. 508
Board meeting of the City Colleges of Chicago
September 8, 2005 budget hearing on the proposed FY 2006 Budget

Presentation remarks of the Vice Chancellor for Finance/CFO:

I would first like to thank Chancellor Wayne Watson and Vice Chancellor Deidra Lewis for their active participation and leadership during in the budget process. I would also like to recognize the cooperation and hard work put into this year’s budget by the College Presidents and their staff. The Business Managers really put in a lot of time on this. Finally, the brand new Finance Office budget team, assembled by my Associate Vice Chancellor Dolores Javier, put in a lot of late nights and weekends to complete the preliminary budget for FY 2006.

1) The Finance Office would like to highlight this year’s budget development process:

- First, we completed and submitted the preliminary FY 2006 Budget through the first and second Chief Administration Officer’s (CAO) reports to Board on or before June 1st and July 15th. These documents communicated the initial FY 2006 College and departmental budget program decisions and assumptions.

- Next, the Budget Office staff met with college Business Managers and District Vice Chancellors to review the budget development process and budget data.

- Then Chancellor Watson, Vice Chancellor Lewis, and the Budget staff held individual college and departmental budget hearings which reviewed in detail:
  - The college enrollment and revenue trends (e.g. bad debt collection procedures, etc.);
  - Prior fiscal year grant utilization data to monitor how well this funding was being used;
  - The colleges/departments management organizational structure (with specific attention paid to administrative position requests, marketing activities, the new college dean positions, and student support services/advisor positions);
  - Reviewed their FY 2005 accomplishments;
  - Reviewed their FY 2006 Strategic and Tactical Plans with heavy emphasis on the specific education plans (e.g. we reviewed the status and quality of shared governance, etc.); and
  - Finally, we reviewed the colleges capital needs request.

- The Budget staff conducted board member budget briefings.

- The Finance Office provided budget information to the Civic Federation and invited the Civic Federation staff to attend both the Tuesday, September 6 Finance Committee meeting and today’s Public Hearing on the Budget.

- The Budget Office advertised today’s Budget Hearing in the Chicago Sun-Times on Monday, August 29, and: (a) provided five (5) copies of the preliminary FY 2006 budget to the Board Office; (b) posted the preliminary budget document to the District’s web site (www.ccc.edu), and (c) sent two (2) copies of the budget document to the Colleges requesting that they make copies available for public inspection.
2) Turning to the power point presentation document, the Budget Highlights are as follows:

   a) This budget provides funding to maintain existing programs and some program expansion at most colleges. See attachment Exhibit A (Also these are well documented in the FY 2006 Budget Book.)
   b) This budget increases the Educational Fund funding for tutoring and remedial classes by about $2 million;
   c) In addition, this budget adds 39 new faculty members to improve student instruction, increasing the budget by $2.2 million;
   d) As mentioned earlier, this budget adds six (6) new associate/assistant college dean positions ($0.4 million);
   e) Eight (8) new college advisors will also be added to guide and help retain students ($0.3 million);
   f) This budget contains $77.4 million in continued capital spending for on-going projects funded primarily from the City of Chicago's 1999 General Obligation Bond;
   g) Benefit costs were contained through new four year labor agreements.

3) Additional FY 2006 Budget facts mention on page 4 of this presentation are:
   a) the Operating Budget is $357.4 million included both unrestricted and restricted funds;
   b) the operating budget has increased $33.2 million or 10.2% over FY 2005;
   c) This budget assumes that the City Colleges levy to the property tax cap, providing an additional $3.6 million in revenue. The impact on a homeowner with a house assessed at $200,000 is about $1 to $2 dollars a year;
   d) Personnel and benefit costs total $208.5 million or 70% of operating funds, excluding grant funds;
   e) there are about 3,300 FTE positions in this budget, an increase of about 100 positions from FY 2005;
   f) Last year, the District had about 45,000 FTE Students.

4) On page 5, the highlights of the All Funds Budget Summary are:
   a) Total Funds in this years budget is $474.2 million;
   b) As previously mentioned, the Operating Funds total $357.4 million;
   c) The variance from the prior year amount is $33.2 million.

5) Page 6 begins our discussion this morning of the District's various sources of funds—“Where does the money come from?”
   a) Property Taxes make up 41% of this total
   b) Tuition makes up 28%
   c) The State share is 23%. NOTE that the State should be contributing 33% of the total funding.
   d) Finally, other sources of revenue are 8% of the District's total resources, coming mainly from interest earnings on the District's cash balances and the leasing of district space.
6) Use of Fund Balance on page 7- The Budget Office did not use any Education fund balances to balance this year's budget. About $7.7 million in restricted fund balances were used to balance the other non-education funds. In my ten years as a Chief Financial Officer, this is typically the budgetary procedure for the various restricted funds.

7) The next slide on page 8 provides a detail comparison of State Funding trend between FY 2005 and FY 2006. Notice the increase in unrestricted funds total about $2 million, while the decline in restricted funds is about $2 million. This is primarily due to transferring of Adult Education credit hours from restricted to unrestricted to help CCC maximize state reimbursements.

8) The next slide on page 9 has been historically used to note the District's share of total credit hours of about 19%. Also, note the increasing state trend as compared to CCC's flat to declining trend. Reasons include the declining in adult education enrollment (immigration restrictions), potential loss of enrollment to various community based organizations, loss of students to the suburbs (Truman College), loss due to college renovation projects (MXC and HWC), and the improving economy.

9) The trend in CCC's share of State unrestricted funding on the presentation's page 10 was also used historically to illustrate the loss of State aid due to the negative effect of the equalization formula. The downward trend from FY 2002 to FY 2004 was reversed in FY 2005 and FY 2006 with the two $15 million one-time awards.

10) Page 11 shows the trend in the various funding sources to CCC. The property tax share is down. The Tuition share is up slightly. The State funding share is up from 20% to 23%, but we are down from target of 33%.

11) Role of property tax funding in the colleges on page 12 reflects the amount of property tax as a source of the colleges’ operating budget in the last three years. It shows that for Daley, Kennedy-King, Truman and Wright colleges, reliance on property tax revenue is decreasing while Harold Washington is increasing and Olive-Harvey remains flat during the three year period.

12) Tuition and fee facts on page 13:

a) Tuition rate will increase by $5 to $67 per credit hour in FY 2006, generating $5.1 million. There are six other community colleges in the state that have higher tuition rate than CCC, ranging from $69 to $78 per credit hour. There are three neighboring community colleges that have lower tuition rates ranging from $56 to $63 per credit hour.

b) CCC's tuition is one-fourth the price of the average public four year institution.

c) CCC's tuition and fees increased 31% percent compared to the 35 % increase at other Illinois Community Colleges, between FY 2000 to FY 2005.

d) CCC's average cost of $173.48 per credit hour is lower than the state-wide average of $193.16 in FY 2004. This is primarily due to the Adult Education
program which is our low cost, high volume generating program. This leads us to the next slide.

13) Net Instructional Unit Cost by Instructional Categories on page 14:
This table shows that as I have previously mentioned, the average unit cost for all programs of $173.48 is lower than the statewide average. Looking at a more detail level, the Baccalaureate unit cost for CCC of $208.28 is higher than the statewide average cost of $188.89. This is due primarily to the more senior faculty we have and higher cost of living in Chicago. However in general, the two year trend of CCC’s unit cost is declining as a result of the efficient enrollment management by the Presidents and faculty retirements.

14) USES--Where does the money go?
The total budgeted Operating Expenditures of $245.7 million excluding Grants are allocated as follows:
a) Page 15 shows the allocation of expenditures by object- 70% goes to Salary and Benefits.
b) On Page 16 and as requested by some Trustees we are showing the dollar amount allocated by program.
c) Page 17 shows the distribution of the expenditures by program—approximately 59% is spent directly for the students in instruction, academic support, student services, and scholarship. 14% is spent in operation and maintenance for the facilities of the colleges, and 23 % in Institutional Support. Included in the Institutional Support is the District Office budget which is equivalent to 13.8% of the total operating budget.

15) Page 18 is the list of items which comprise the increase of $13.2 million in the Operating Budget (excluding grants):
a) The major increase of $8.2 million is from negotiated union, non-union and new faculty salary increases.
b) There is a decrease in benefits of $.7 million.
c) An increase in Contractual Services amounting to $2.1 million.
d) An increase in Utilities of $1.3 million.
e) A decrease in Capital Outlay of $1.3 million.
f) There is also an increase of $2.5 million in Material and Supplies.
g) And the Other category has an increase of $1.1 million.

16) Next slide on Page 19 is a list of the Capital projects spending for FY 2006 which is expected to be $77.4 million.

17) Page 20: ICCB RAMP Capital Funding Request for FY 2007 is $175.5 million on total projects of $233.3 million. The difference of $57.8 is expected to be the local matching fund for these projects.

18) In the current capital program, District has $113.5 million in unfunded projects as shown on Page 21. The Office of Administrative Services is evaluating and estimating the cost of additional capital needs.
19) We have the following Challenges ahead:
   a) Equalization funding not resolved. We have to continue to pursue the change in the formula.
   b) Overall state funding has been declining- restricted grants declined since FY 2004. State has not funded CCC at the theoretical 33% level.
   c) Adult Education population declining which would affect state reimbursement in the future.
   d) Student enrollment declining – there is a need to address the overall declining trend in enrollment.
   e) Deferred Maintenance- we have not funded the annual deferred maintenance need of $18 to 25 million.
   f) No new capital funding has been identified
   g) We continue to have higher reliance on tuition and property taxes.

20) We have provided a separate schedule of the budgetary changes for your consideration as follows:
   a) Changes to the Colleges' and Academic Affairs budget due to the correction of the Auxiliary/Enterprise reappropriation:
      - Kennedy King College from minus $217,218 to zero dollars;
      - Harold Washington College from $165,347 to zero dollars;
      - Malcolm X from minus $137,114 to zero dollars;
      - Truman College from $340,794 to $124,509;
      - Olive Harvey $56,750 to $80,207
      - Daley College from $773,999 to $407,414;
      - Wright College from $519,895 to $405,858; and
      - Academic Affairs from minus $259,011 to $225,453.

   b) Correction to the printing error of our own Office of Finance Budget:
      - Office of Finance from $3,888,624 to $4,842,623.

Finally, if there are no questions, I would like to recommend the Fiscal Year 2006 Budget for your approval and that the Budget as changed is adopted today.

Thank you.