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COMMUNITY COLLEGE DISTRICT NO. 508
JULY 10, 2014**

FY 2015 BUDGET OVERVIEW

BOARD OF TRUSTEES

Thursday, July 10, 2014

Achievements

An efficient use of resources and strategic investments have allowed us to make progress against the four academic goals of Reinvention:

- The number of degrees awarded in FY2013 was the highest in City Colleges' history, and we expect to reach this milestone for a second year in a row when final tallies are in for FY2014.
- Overall completion, which includes all degrees and certificates awarded, was up 3 percent between FY2012 and FY2013.
- The federal IPEDS rate of 13 percent is nearly double that when we launched our Reinvention.
- Two and a half years into the College to Careers initiative, nearly 1,300 students have found a job or internship in one of the six College to Careers fields.
- Rolled out a Student Guided Pathways to Success system that provides students with a clear course of study and path to their goals, along with blocked scheduled student cohorts launching this fall, and whole program enrollment to follow in FY2015

Operational Achievements





Operational advances include the following:

- Saved \$51 million in administrative since the launch of reinvention.
- Made strong progress against the five-year, \$545.6 million capital plan launched in FY2014, which includes investments in system-wide academic and student-facing technology enhancements (i.e., smart classrooms, science classrooms, libraries, labs, and student support centers).
- Strong financial management earned credit ratings of AA and AA- for City Colleges' first independent \$250 million bond issuance.
- Put in place systems such as a business intelligence tool to achieve greater transparency and accountability and compliment a leadership team measured by its results for students.
- Balanced budgets in the face of funding reductions from the State of nearly \$8 million since FY2011, including an FY2015 projected cut of \$2 million resulting from the Illinois Community College Board funding formula which disproportionately impacts City Colleges.

A Resource Allocation Fund has been created in the FY2015 budget to support the expansion or creation of initiatives with the greatest potential impact to Five Year Plan Goals

City Colleges Of Chicago Remains Focused On The Reinvention Goals and Committed To Achieving The Five-year Plan Targets

Reinvention Performance Goals

-  Increase number of students earning college credentials of economic value¹
-  Increase rate of transfer to bachelor's degree programs following CCC graduation
-  Drastically improve outcomes for students requiring remediation
-  Increase number and share of ABE/GED/ESL students who advance to and succeed in college-level courses²

Reinvention Vision

Drive greater degree attainment, job placement, and career advancement

Ensure student success

Become an economic engine for the City of Chicago

¹Since there are economic (as well as social and personal) returns to a college credential and since higher level credentials have higher value, a credential of "economic value" is one that: a) Prepares students to succeed at the next level of education (including maximizing the number of credits that transfer where applicable), whether that be the associate degree program (for certificates) or bachelor's degree programs, thereby increasing their potential lifetime earnings; b) Enables career and technical education program students to advance in the labor market either by moving up in their current job or securing a better job.

²ABE is Adult Basic Education, courses are for students testing at the 1st through 8th grade levels, GED is General Educational Development for students to prepare for high school equivalency, ESL is English as a Second Language, courses provide instruction for non-native English speakers .

Additional Focus Is Placed On The Four Organizational Health Goals Which Support The Achievement Of Our Four Performance Goals

ORGANIZATIONAL HEALTH GOALS

-  Strategically align community and special interest programming with community need
-  Increase the quality and effectiveness of student services and support
-  Improve operational discipline with a focus on high performance standards including excellent financial management
-  Ensure safe and secure teaching and learning environments

HEALTH VISION

Ensure efficient application of taxpayer dollars

Ensure student success

Allow a greater proportion of spending for student facing initiatives

Building On The Successes Of The Previous Two Fiscal Years, CCC Is Well-positioned To Perform Well Against The Five-year Plan Targets

Performance Metric ¹	FY2012 A	FY2013 T	FY2013 A ²	FY2014 T ³	FY2015 T
IPEDS 150 Completion Rate	11%	12%	13%	13%	14%
Total Awards	9,689	9,550	10,017	9,815	10,070
Total Degrees	3,324	3,957	3,778	4,122	4,280
Total Certificates	6,365	5,593	6,239	5,693	5,790
Credit Students Fall-to-Spring Retention	65.3%	66.3%	67.6%	66.9%	67.7%
Student employment rate in area of training	-	60%	60%	60%	61%
Med. earnings of stud. employed in training area	-	\$31,200	\$31,200	\$31,824	\$31,461
Total Enrollment (unduplicated)	116,765	110,793	114,255	108,252	109,139
Credit Enrollment	63,055	62,246	62,391	62,744	63,246
Adult Ed. Enrollment	34,836	35,195	36,642	35,371	35,725
Continuing Ed. Enrollment	22,916	16,430	18,508	16,348	16,430
C2C Enrollment	-	9,058	9,518	17,611	26,163
Transfer within 2 years of degree completion	41%	42%	42%	42%	43%
Transfer after earning 12 credits (fall new stud.)	670	663	665	726	736
Remediation transitions 1yr	29.5%	29.8%	30.8%	30.2%	30.5%
Transitions to College Credit	-	727	989	909	1,181
Full-time to 30 ch in 1 year	7.7%	7.9%	8.1%	8.1%	8.2%
Part-time to 15 ch in 1 year	19.1%	19.5%	19.8%	20.0%	20.4%

¹A is the actual performance; T is the target or goal

²For FY13, the majority of targets focused on student performance were met; they are colored green.

³An update to the scorecard with actuals for FY2014 will occur during FY2015

Building On The Successes Of The Previous Two Fiscal Years, CCC Is Well-positioned To Perform Well Against The Five-year Plan Targets

Operations Metric ¹	FY2012 A	FY2013 T	FY2013 A ²	FY2014 T ³	FY2015 T
Percentage of unrestricted fund balance to total expenses	6.1%	3.0%	3.2%	3.0%	3.0%
Increase the amount of money awarded through grants and contracts	\$30M	\$32M	\$30.4M	\$35M	\$37.5M
Improve time to hire	240 days	210 days	180 days	190 days	160 days
Reported crime ⁴	811	770	767	-	-
Crime against persons	140	112	151	-	-
Crime against property	373	306	307	-	-

¹A is the actual performance; T is the target or goal

²For FY2013, forty percent of targets were met; they are colored green

³An update to the scorecard with actuals for FY2014 will occur during FY2015

⁴Unlike other measures, crime projections are made in one-year increments; FY2014 targets pending

To meet the goals, investments were made in student-facing and strategic institutional areas

The FY2015 budget invest in strategically focused personnel and operational areas.

- New full-time faculty positions in specialized areas
- Additional security personnel
- Expansion of the number of dual enrollment seats for high school students
- A district-wide shuttle bus service to facilitate transportation between campuses
- Additional scholarships and waivers to support adult education transition to college courses
- A Resource Allocation Fund, created to support initiatives with the greatest potential to impact five-year plan goals

FY 2015 Operating and Capital Budget Overview

Like every budget under Reinvention, City Colleges' budget is balanced with no new increase in tuition or property taxes.

1 **Balanced FY2015 Operating Budget**

- The proposed FY2015 budget projects operating resources of \$309.4M from a diversified funding base.
- The balanced FY2015 budget invests in strategically focused personnel and operational areas.
- CCC is allocating approximately \$4.0M to the new *Resource Allocation Fund*, which will allow for the expansion or creation of initiatives with the greatest potential to impact five-year plan goals.

2 **FY2015 Capital Plan Proposal**

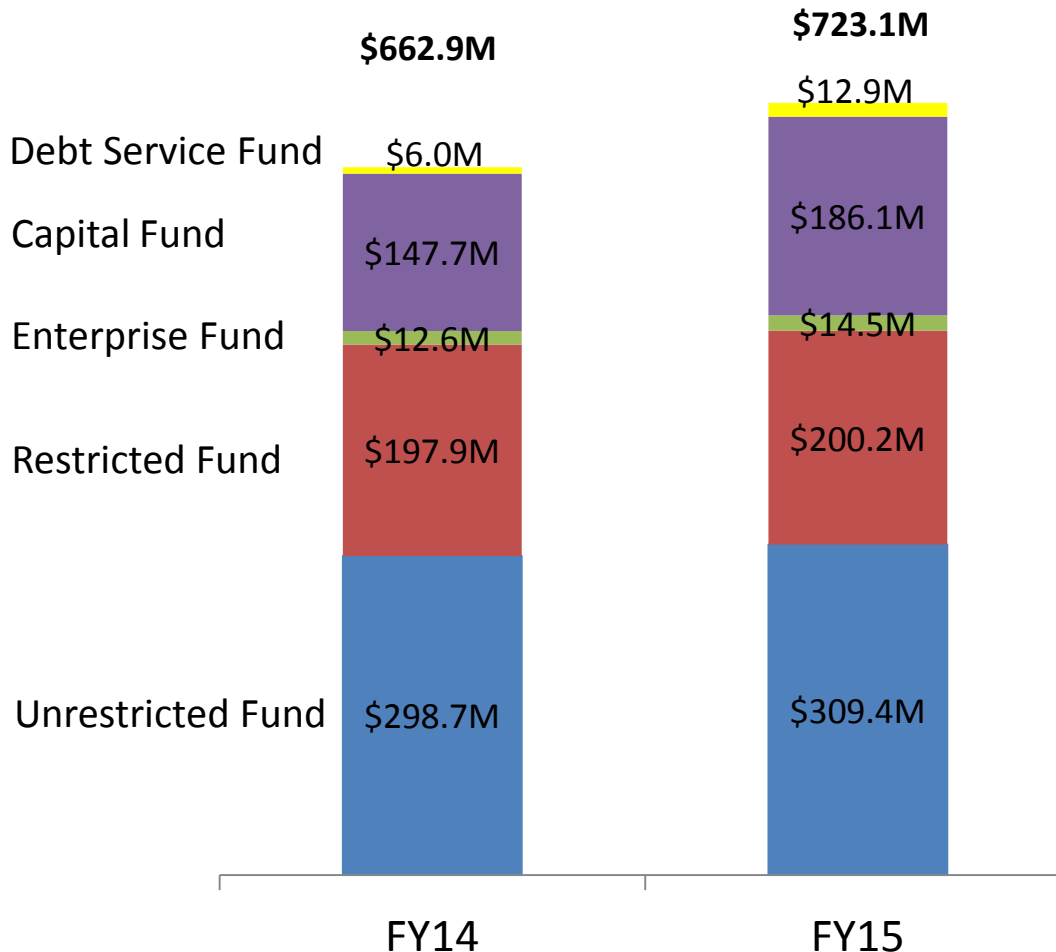
- A total commitment of \$186.1M: \$59.9M in improvements (existing infrastructure, IT, and academic enhancements) and \$126.2M in new facilities construction.

3 Building on the successes under Reinvention since 2010, CCC is well-positioned to perform well against the five-year plan targets; however, if future cuts occur in state funding, our ability to meet the targets will be severely compromised.

4 Planning and executing the budget took place throughout the year; the FY2015 budget will be presented at the July 2014 board meeting for approval.

The proposed FY2015 overall budget is \$723.1 M

FY2014 vs. FY2015



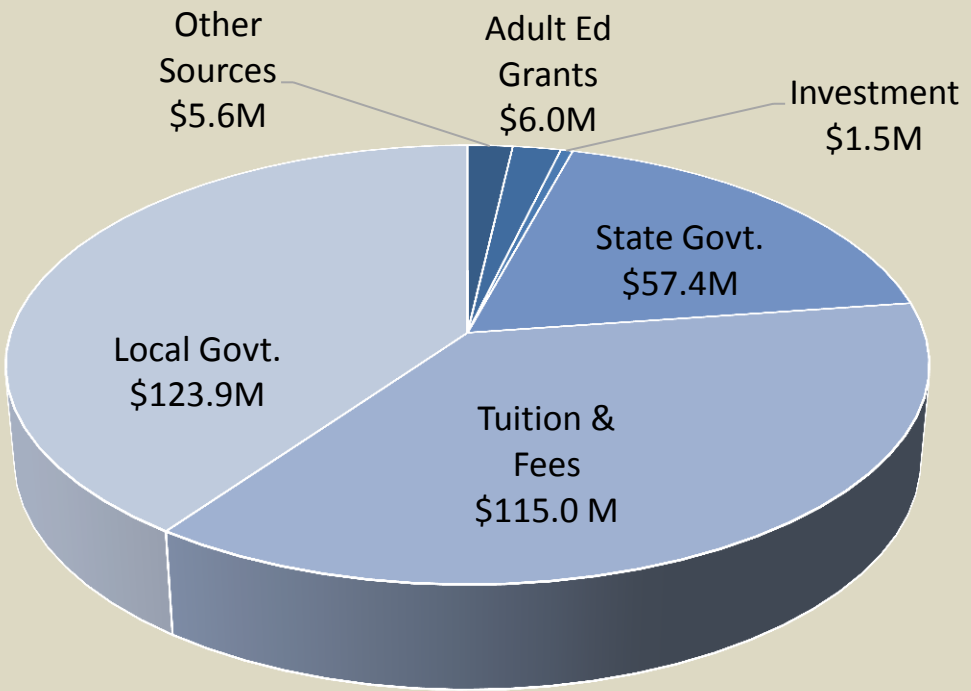
FY2015 Budget highlights

FY2015 overall budget reflects a 9% increase over prior year largely due to capital, unrestricted and debt service fund increases

- **Debt Service Fund** includes the first full year of debt service
- **Capital Fund** increase reflects the construction of the new Malcolm X College and the Transportation, Distribution, and Logistics Center at Olive-Harvey College
- **Restricted Fund** increase is due to a combination of federal, state, and local grants received and applied for offset by a \$4.7M reduction in student financial aid
- **Enterprise Fund** increase is due to growth in the Business Enterprise activities and the Workforce Academy Programs
- **Unrestricted Fund** growth is supported by additional revenue from an expiring TIF fund, revenue from projected higher credit hour enrollment, partially offset by a reduction in state funding

The proposed FY2015 budget projects operating resources of \$309.4M from a diversified funding base

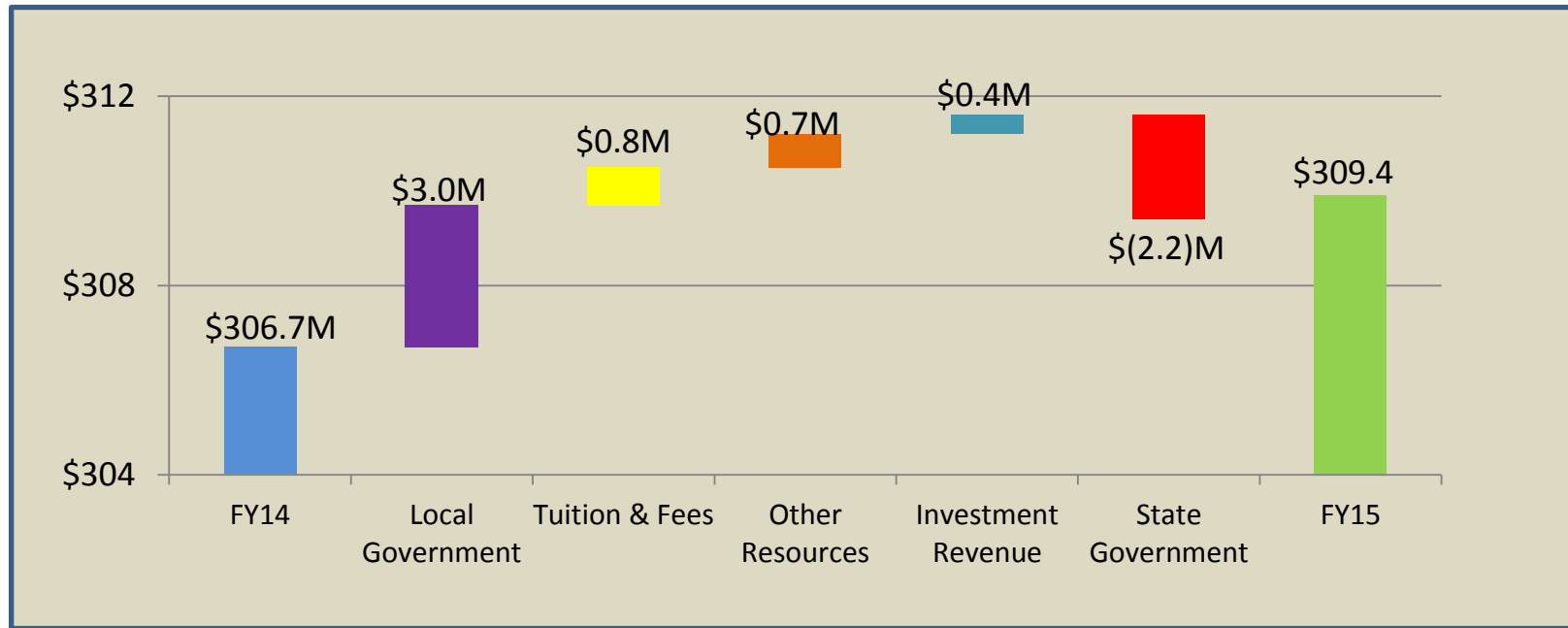
FY2015 Resource Projection (\$309.4M)



Funding Sources

- **Tuition rates** for FY2015 are unchanged from the previous fiscal year. In-district tuition remains \$89 per credit hour
- **Local government** sources include tax and grant monies received from taxpayers and government entities within CCC's district boundaries
- **State government** sources are primarily grants to support operations, programs, and students – CCC's FY2015 funding is expected to be reduced by \$2.2M
- **Investment revenue** is interest earned on CCC's cash and investments
- **Adult Ed** grants are monies restricted for use on adult education programs
- **Other** sources of revenue include: building rental; auxiliary activities; Pell administrative fees; and reduction of excess reserve in the tort fund liability account

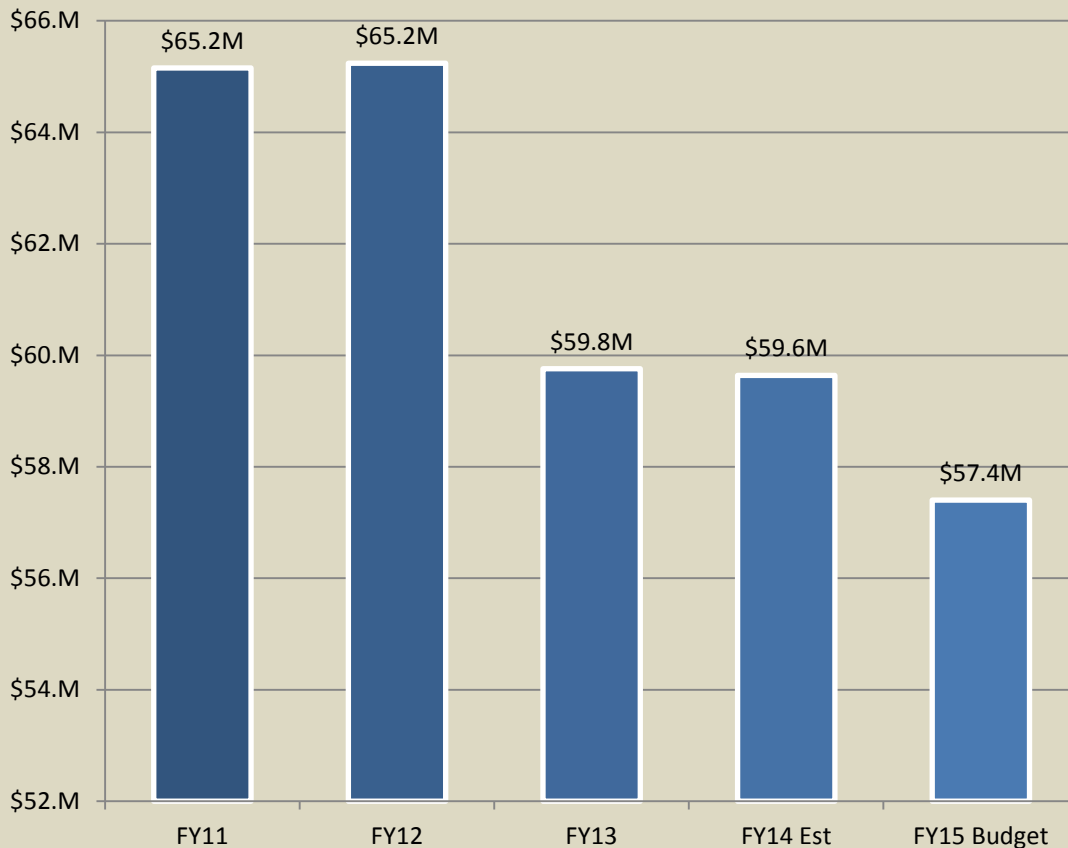
The proposed FY2015 budget projects operating resources of \$309.4M; an increase of \$2.7M over FY2014



FY2015 projection of resource increase of \$2.7M is primarily due to local tax (TIF expiration), higher credit hour enrollment, and investment revenue

- The \$3.0M increase in local government revenue is primarily due to recaptured, expiring TIF District funds, not an increase in property taxes
- Tuition and fee rates are unchanged from FY2014; increase is based on higher student credit hour enrollment
- Increase in other resources is largely due to a reduction of excess reserve in the tort fund liability account
- Higher investment income projected due to funds under management
- State (ICCB) funding is expected to be reduced by \$2.2M from FY2014 levels

CCC's FY2015 State funding is expected to be reduced by \$2.2M from prior year levels

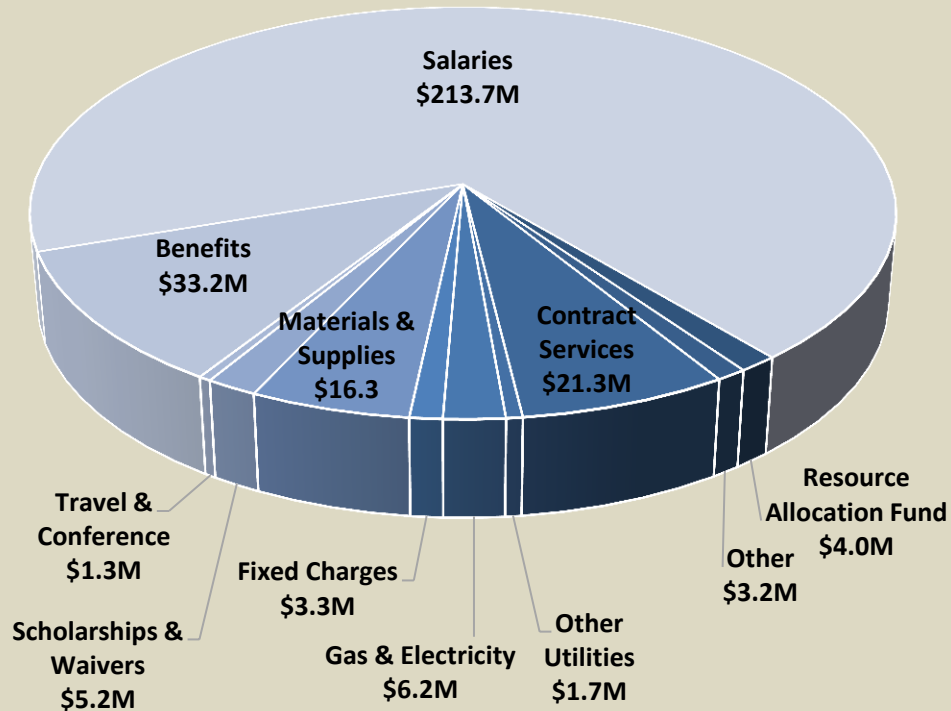


Funding Challenges

- Since FY 2011, City Colleges has faced funding reductions from the state of nearly \$8 million, including an FY2015 projected cut of \$2.2 million resulting from the Illinois Community College Board funding formula which disproportionately impacts City Colleges.
- While City Colleges continues to explore solutions to this funding issue with State officials and other stakeholders, it has taken steps in its own continued balanced budget to continue funding reform and improved student outcomes in spite of dwindling State support.

Operating Expenses By Area

FY2015 Operating Expenses (\$309.4M)



FY2015 Expenses Are Projected To Increase By 3.6%

Unrestricted Funds	FY2014 Budget	FY2015 Budget	\$ Change	% Change
Expenditures				
Salaries	\$ 213.0	\$ 213.7	\$ 0.7	0.3%
Employee Benefits	29.9	33.2	3.3	11.0%
Contractual Services	21.9	21.3	(0.6)	-2.8%
Resource Allocation Fund	-	4.0	4.0	%
Materials and Supplies	13.3	16.3	3.0	22.6%
Travel and Conference	1.3	1.3	-	0.0%
Fixed Charges	3.3	3.3	-	0.0%
Utilities	7.9	7.9	-	0.0%
Waivers and Scholarships	4.4	5.2	0.8	18.2%
Other Expenditures	3.7	3.2	(0.5)	-13.5%
Total Operating	\$ 298.7	\$ 309.4	\$ 10.7	3.6%

- **Salaries** reflect new full-time faculty positions in specialized areas, negotiated increases from collective bargaining, additional security positions, and cost of living adjustments for non-bargained for employees. Research has shown that CCC Administrator salaries are well below market; the cost of living adjustments helps guard against further slide. Additionally, a vacancy reserve has been applied to facilitate accurate budgeting.
- **Employee benefits** increase is principally due to the rising cost of healthcare
- **Resource Allocation Fund** is new in FY2015
- **Materials and supplies** increase is principally due to software licenses
- **Waivers and scholarships** increase supports dual enrollment and adult education

CCC Is Allocating \$4.0M To The *Resource Allocation Fund*, Which Will Allow For The Expansion Or Creation Of Initiatives With The Greatest Potential To Impact Five-year Plan Goals

Fiscal discipline and results

- CCC has achieved fiscal discipline and boosted accountability to taxpayers by eliminating administrative redundancies and instituting zero-based budgeting
- CCC's FY2015 budget is balanced and fully funds the continuation of operations and initiatives that have delivered increasingly stronger results in spite of limited resources.
 - Example: College to Careers model is creating economies of scale by not replicating the same program across multiple colleges
- CCC published a five-year plan and has been issuing annual scorecards against it. For FY2013 CCC met 20 of 24 of its key Five-Year Plan metrics, and three of the four metrics that were missed were missed by 5% or less.
- Managers present on their progress toward their metrics every two weeks.
- With these processes in place, CCC is creating a Resource Allocation Fund to leverage our combined fiscal and performance management processes.

How the Resource Allocation Fund will work

- Representing 1% of City Colleges' balanced budget, the Resource Allocation Fund is designed to ensure we fund those initiatives of greatest need and impact.
- It is not new money, but money within our balanced budget that allows CCC to seize on opportunities to further drive success in the context of limited resources: CCC's colleges and departments had more than \$15 million in requests that could not be funded under this budget.
- As part of the regular reviews of metrics, City Colleges will be able to identify areas where a department or City Colleges as a whole is at risk of missing a target, or areas where existing investments are yielding such strong student outcomes that they should be augmented.

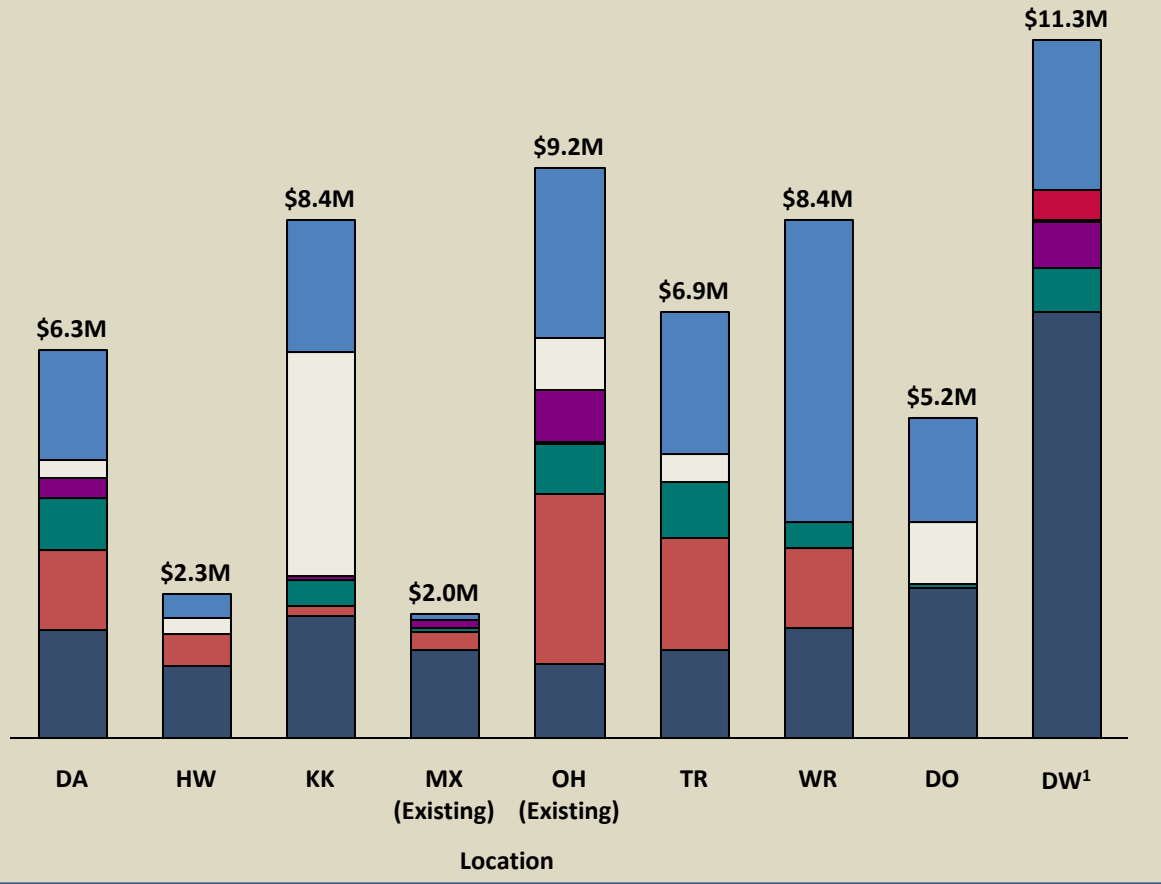
FY2015 Capital Plan Proposal: Executive Summary

FY2014-2018 CAPITAL IMPROVEMENT PLAN

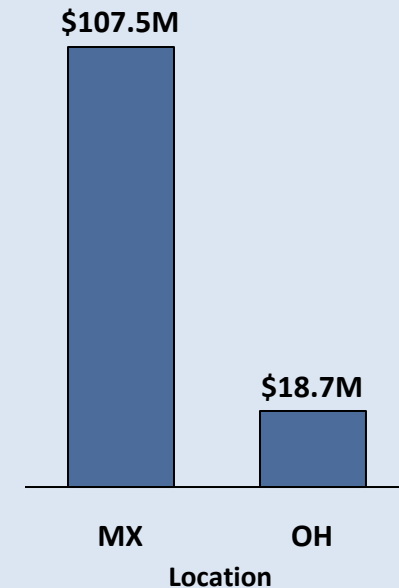
- City College's **original five-year, \$555.6M capital plan** had a strategic focus on new facility construction, required capital maintenance and repair, and improvements to existing infrastructure, as well as academic enhancements.
- City College's **updated five-year capital plan of \$545.6M** anticipates savings of \$10M over the original plan and remains consistent with the overall capital funding strategy and balance sheet targets for this time period.
 - C2C strategy reduces overall capital investment requirements by not replicating same programs at multiple locations (e.g. healthcare).
 - Additional savings have come from design and construction efficiencies and economies of scale.
- The FY2015 plan proposes a total commitment of **\$186.1M: \$126.2M** in new facilities construction and **\$59.9M** in academic enhancements and improvements to existing infrastructure and Information Technology .

Capital Plan Allocation

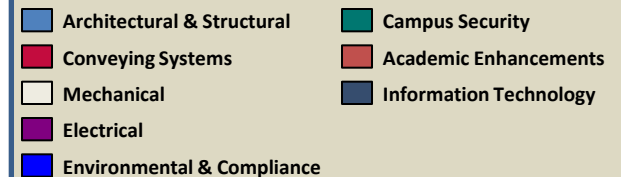
Improvements to existing locations (\$59.9M)



New facility construction (\$126.2M)



Legend



¹District wide spend is comprised of projects executed across multiple campuses to create economies of scale. The project types include but are not limited to ADA projects, IT systems projects, HR systems, etc.

FY2015 Capital Plan Proposal: Allocated By Functional Area

Functional Area	FY2015 budget (\$ in millions)	% of total budget
Architectural & Structural ¹	\$17.6	9.5%
Conveying Systems ²	0.5	0.3%
Mechanical ³	6.5	3.5%
Electrical	2.1	1.1%
Environmental & Compliance ⁴	0.0	0.0%
Academic Enhancements ⁵	8.1	4.4%
Information Technology ⁶	20.0	10.7%
Campus Security ⁷	4.3	2.3%
Equipment ⁸	0.8	0.4%
Campus Sub -Total	\$ 59.9	32.2%
New Facilities	126.2	67.8%
Total	\$ 186.1	100.0%

¹Repairs and enhancements to current building structures

²Elevators and escalators

³HVAC units, controls, ducts, ventilation, and plumbing

⁴Includes material and contamination mitigation measures and efforts

⁵Academic Enhancement includes capital environmental upgrades benefiting academics

⁶IT budget includes the \$3.8M in budget reductions for FY2015

⁷Security is capital associated with surveillance and access systems

⁸Capital equipment, vehicles, and fixtures primarily associated with academic programs

Q & A