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COMMUNITY COLLEGE DISTRICT NO. 508  
DECEMBER 10, 2015**

# **Board of Trustees December 10, 2015**

## **FY2016 Financial Update**

# Summary

**This document will describe, under *various* state funding levels, the impact on CCC's ability to maintain a balanced budget, as well as a list of potential management responses to keep our FY2016 budget balanced.**

**We are reviewing the FY2016 projected revenues and budgeted expenditures to develop scenarios for maintaining adequate cash reserves and achieving balanced financial results for the fiscal year.**

**We have baselined a scenario for a 15% reduction in state funding level along with the impact of current student enrollment levels on our revenue forecast and potential options for balancing this shortfall.**

**CCC's is currently using \$25 million of cash reserves to offset delayed payments from the State of Illinois.**

**Without a state budget CCC will need to deplete cash reserves to unacceptable levels.**

**The lack of State Funding impacts not only the Colleges fiscal health, but also our student's ability to continue their education.**

- MAP grants have not been awarded to students due to lack of a State funding
  - Annually, approximately 12,000 CCC students receive an average award of \$800, totaling nearly \$10 million
- The recent change in income levels for students to receive subsidized child care has made the overall cost of attending college more expensive

# FY2016 Financial Update

- After five months of operations....
  - Credit enrollment, the largest driver of tuition revenue, is trending ~8 % lower than budget
    - Related revenue is lower than plan by 17% due to
      - lower full-time enrollment, which is only partially offset by higher than budgeted one-course takers
      - the one-time fall semester tuition cap for returning students that registered early and
      - international students being granted the lower in-state tuition rate for the fiscal year
  - Expenses through October 30, 2015 are tracking below budget by \$6 million primarily due to lower salary expense
  - Capital expenditures through November 30, 2015 of \$47M are tracking with the capital budget
  - Illinois Budget Impasse
    - Cash flow impact
      - Investment maturities tiered to ensure adequate cash flow
    - Net earnings impact
      - The strategy to offset State Budget uncertainty is being implemented

# Contingency Plan Approach

Without a State Budget CCC is being forced to reduce cost, which will impair academic progress under Reinvention.

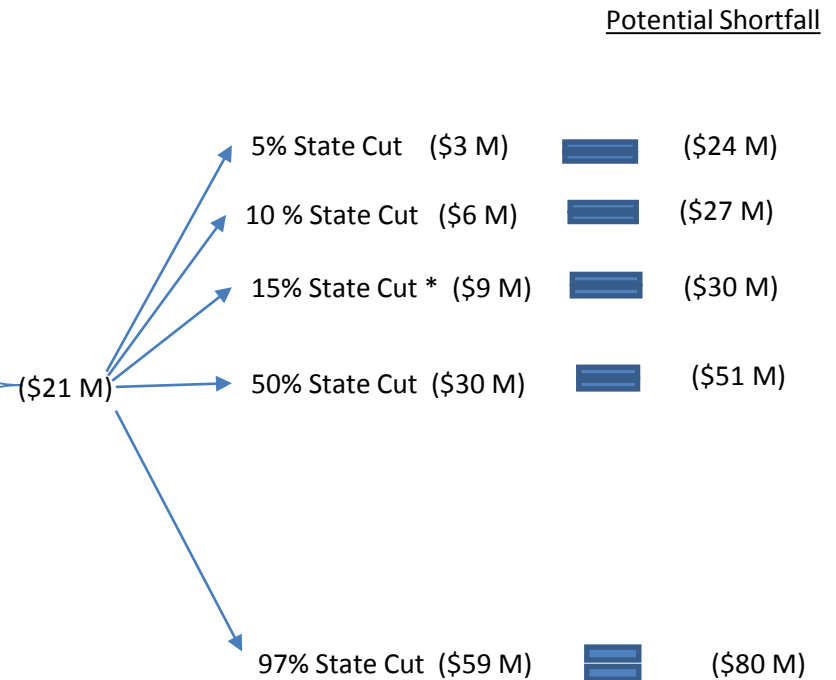
CCCC has lost over \$13 million in State funding since 2011.

- Internal savings under Reinvention have helped offset these funding cuts, however savings opportunities are decreasing
- City Colleges cannot continue to perform well against its five year targets in the face of further funding reductions

Due to the continued uncertainty around the State Budget, we are taking actions in an effort to maintain a balanced budget and strong balance sheet. While care will be taken in an effort to minimize the impact to academic outcomes where possible, budget reductions of this magnitude will impact our ability to serve CCC students.

# FY2016 Fiscal Outlook

Item	Status / Comments	Potential Annual Financial Impact
Property tax revenue	Collections are currently ~1% below budget, final variance will not be known until March, could range from a surplus of \$200K to a shortfall of \$2M.	(\$ 1.0 M)
TIF rebate - Roosevelt/Canal	TIF termination notice	+3.0 M
Tuition revenue	Fall tuition revenue is currently 11.5% below budget, current Spring projection the same	( \$14.9 M)
Tuition revenue	Cost of capping Fall tuition increase @ \$200, \$225, \$250 for one-course, PT and FT students	(\$2.7 M)
STAR Scholarship Cost	Greater number of students not eligible for Financial Aid than expected	(\$2.6 M)
Other Postemployment benefits	Estimate based on FY2015 actuarial evaluation	(\$2.7M)



The ongoing review of revenues and expenses has revealed a potential shortfall of \$21M for FY2016, prior to any reduction in State funding.

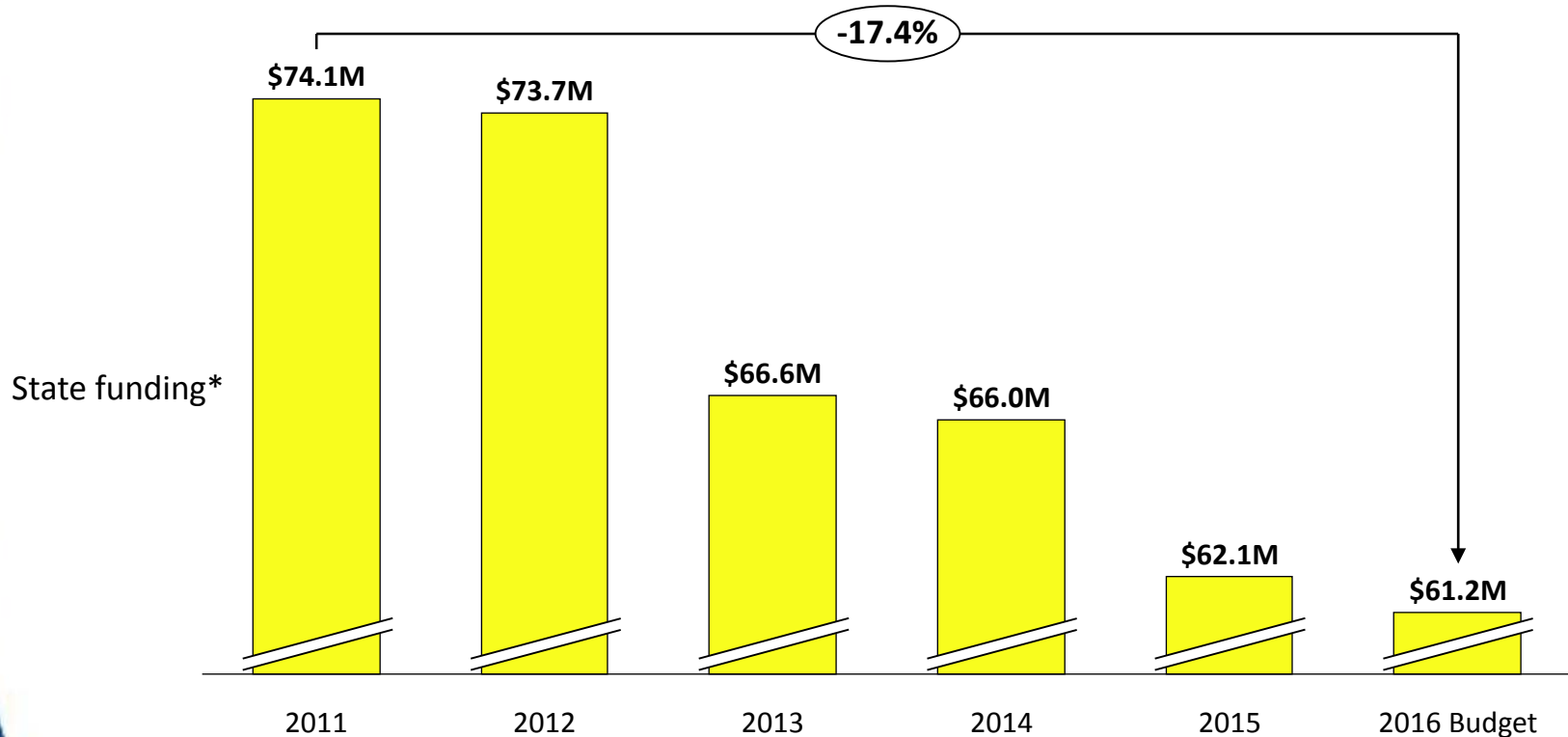
- Property taxes are trending lower than budget through October, with large refunds issued to taxpayers during the first quarter
- Enrollment/tuition has softened with the decrease in unemployment in the Chicagoland area

Depending on the size of the State funding reduction, CCC could be faced with a \$24M to \$80M revenue shortfall in FY2016. We have used a 15% State funding reduction to illustrate a scenario, out of all the potential state cut scenarios, for which we have calculated revenue budget shortfalls and a potential response.

Significant State cuts will impair the colleges ability to serve its students.

## State Funding has been reduced by over \$13M, 17% since 2011

\$ in millions

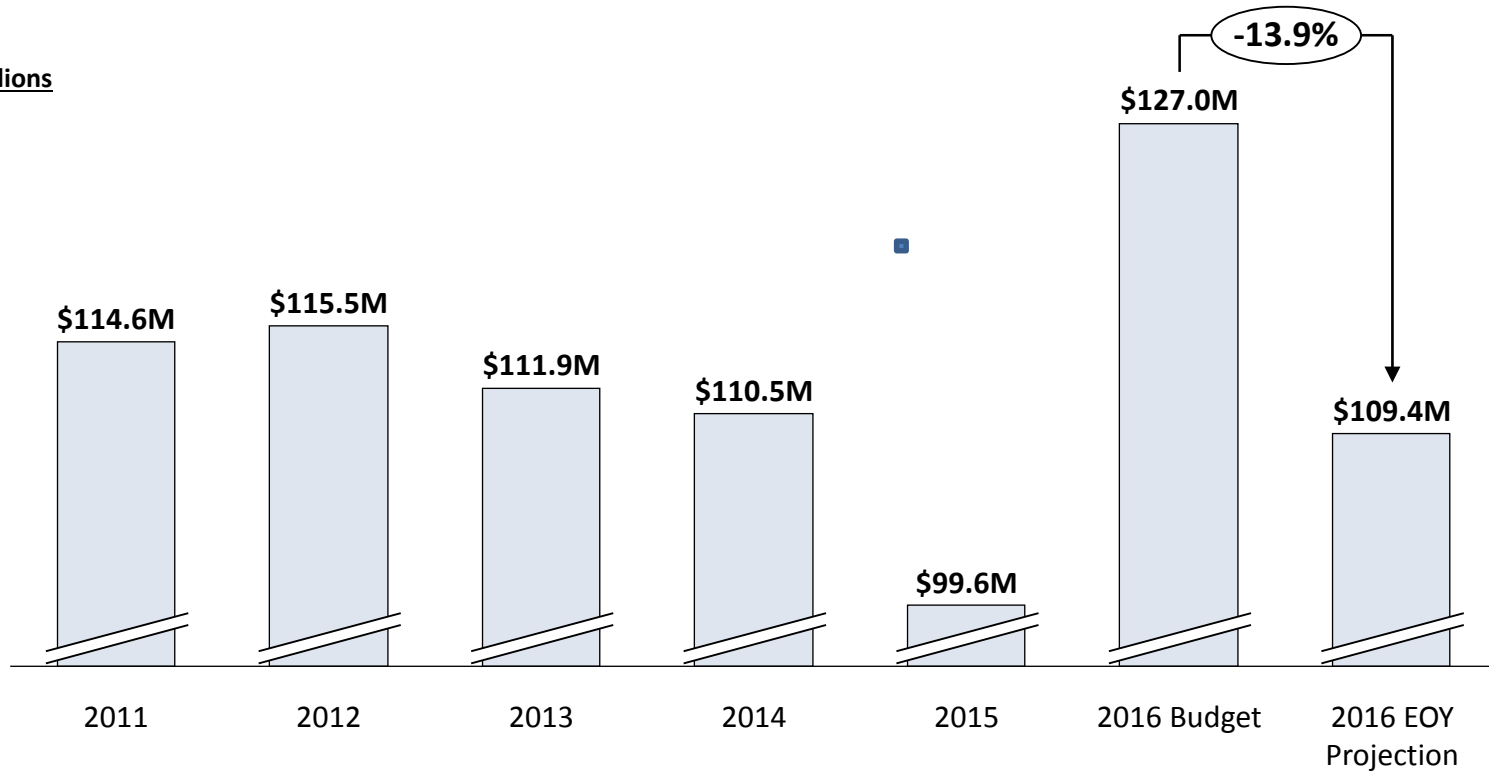


- FY2016 State budgeted revenues represent 20% of City Colleges' operating budget.
- The annual funding reductions from the state are the result of the Illinois Community College Board's funding formula which disproportionately impacts City Colleges.
- To offset continued reductions in state funding, City Colleges implemented a new enrollment incentive pricing plan in July, 2015 to encourage timely completion, address declining revenue, and protect the financial strength of the Colleges.

• Includes Adult Education Funding

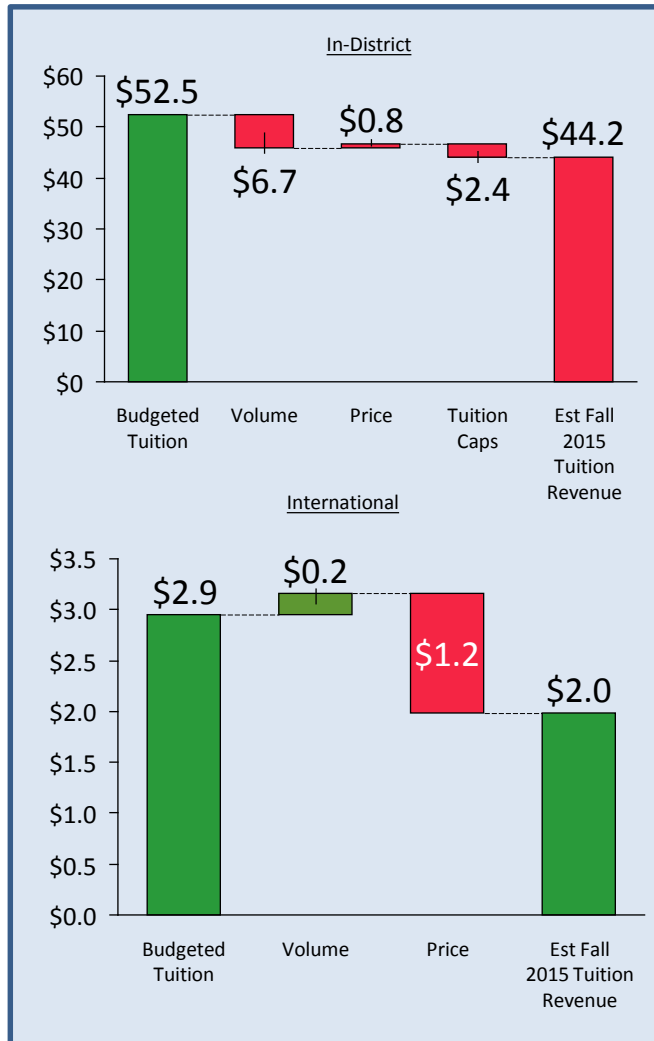
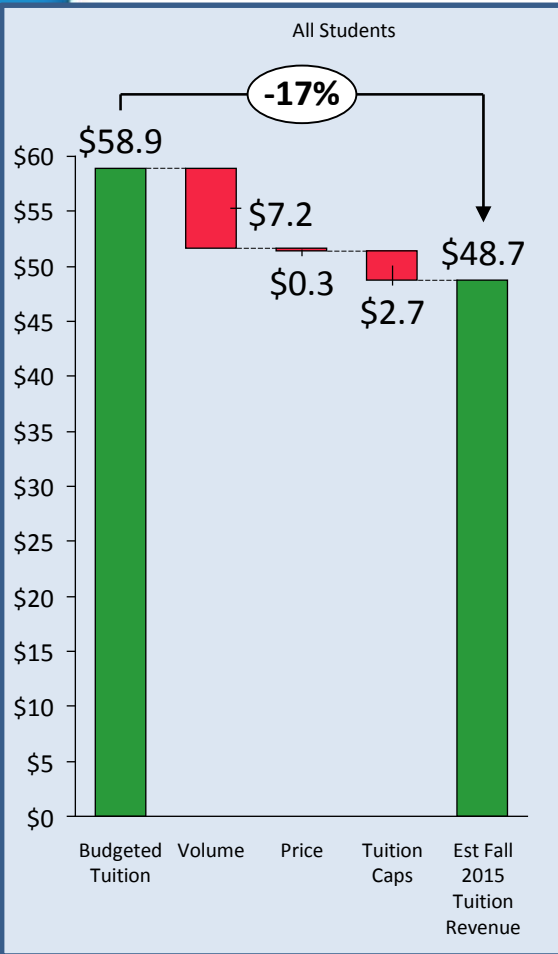
# FY2016 Tuition revenue is currently forecasted to be \$17.6M less than budget

\$ in millions



- Enrollment is currently 8% below budget for headcount, with related revenues 13.9% below budget as enrollment of 12+ hrs. is 21% lower than budgeted.

# Fall Tuition Revenue Variance Review



**In-District**

Rate	Budget	Current	Var	
1-4	6,113	7,636	1,523	+25%
5-11	14,125	14,214	89	1%
12+	19,274	14,885	(4,389)	(23%)
	39,512	36,735	(2,777)	(7%)

**International**

Rate	Budget	Current	Var	
1-4	66	10	(56)	(85%)
5-11	133	26	(107)	(80%)
12+	246	311	65	+26%
	445	347	(98)	(22%)

Rate	Budget	Current	Var	
1-4	6,439	7,771	1,332	+21%
5-11	14,714	14,486	(228)	(1%)
12+	19,888	15,553	(4,335)	(22%)
	41,041	37,810	(3,231)	(8%)

- Fall one- course enrollment to date is 21% above budget, 12+ credits 22% below budget.
- The Price variance for international students is due to granting students the out-of-state rate for the fall and spring semester.





# Areas to address potential state budget cuts and revenue shortfall

Area	\$ in millions	Comments / assumptions
Salary salvage	\$ 15.0	Based on prior year hiring pace.
Limit material and supplies spending	.8	
Limit travel expense	.5	Will not impact student/SGA events or contractual professional development for faculty
Delay implementation of market-based compensation adjustment	1.5	
Eliminate the Resources Allocation Fund (RAF)	4.0	
Freeze vacant positions (excluding faculty)	8.2	200 positions, totaling \$11.4 million in salary expense
<b>Total potential savings</b>	<b>\$ 30.0</b>	

**Proposed budget cuts are prioritized to first target discretionary spending with the least impact on students and support services. Proposed areas for expense reductions include materials and supplies, travel, market-based compensation adjustments, and a hiring freeze.**

- **Immediate spending reductions and a hiring freeze, effective 12/1 could provide over \$30M in savings.**

# Q & A