

CCC Board of Trustees

Finance Update

December 10, 2020



CITY COLLEGES'
of CHICAGO

FY2020 Financial Audit Results

Fiscal Year Ended June 30, 2020

Comprehensive Annual Financial Report (CAFR)

- The CCC FY2020 external audit was completed on November 30, 2020
 - The audit is required to be completed by December 15, 2020 per the Illinois Community College Board (ICCB)
 - CCC has received an unmodified (clean) opinion on City Colleges' June 30, 2020 financial statements
 - There have been no disagreements between RSM and management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements
 - There were six (6) audit findings related to Federal awards
 - Federal Single audit report is pending completion due to CARES Act audit guidelines not issued by U.S. Dept. of Ed.

FY2020 Financial Results

(\$ in thousands)

	2020 Budget	2020 Actuals	Variance
Revenues			
Local Government	\$127,575	\$130,360	\$2,785
PPRT	13,205	14,587	1,382
State Government	50,546	50,339	(207)
Federal Government	2,148	2,257	109
Tuition and Fees	88,800	85,051	(3,749)
Auxiliary/Enterprise	13,546	13,963	417
Facilities Rental	1,457	1,704	247
Investment Income	2,500	2,720	220
Fundraising	3,181	755	(2,427)
Building Sale Proceeds	12,944	32,038	19,094
Revenues Total	\$315,901	\$333,773	\$17,872
Expenses			
Salaries	(\$189,401)	(\$196,511)	(\$7,111)
Benefits	(39,392)	(32,211)	7,181
OPEB		8,713	8,713
Contractual Services	(18,771)	(20,376)	(1,606)
Materials and Supplies	(13,035)	(12,157)	877
Travel and Conference	(1,008)	(563)	446
Fixed Charges (includes Debt Servic	(23,574)	(22,927)	646
Gas and Electricity	(7,099)	(6,482)	617
Other Utilities	(1,309)	(965)	343
Scholarships and Waivers	(13,250)	(10,546)	2,704
Bad Debt	(8,000)	(4,393)	3,607
Other Expenses	(1,064)	(379)	684
Expenses Total	(\$315,901)	(\$298,797)	\$17,104
Net Resources Less Expenditures		\$34,976	\$34,976

FY2020 Audited Results

- The former District Office headquarters sale was finalized in FY20, generating a surplus from proceed on the sale
- Revenue favorability on TIF surplus and PPRT helped offset declines in Tuition revenue and fundraising. Tuition was down due to lower enrollment.
- Enterprise revenues were under budget due to COVID and were offset by an increase in DFSS funding
- Personnel expenses came in on budget
- Changes to OPEB plan benefits generated significant savings in FY20
- Contractual services is over budget due to increased DFSS funding for third party scholarships entirely offset in Enterprise revenue.
 - Net of DFSS funding, Contractual services would reflect favorability of \$2.9M from savings due to COVID.
- Bad debt was highly favorable to budget due to continued reductions in student receivables
- All other expense lines are favorable to budget, including, materials and supplies, utilities and tuition waivers.



Change in Net Assets

Unrestricted Net Assets improved by **\$30M** to **-\$52M** at 6/30/2020, which falls short of the GFOA recommended minimum level of 5% of operating expenses, or \$15M.

Net Assets (\$ in millions)	6/30/2020	6/30/2019	6/30/2018
Unrestricted	(\$52M)	(\$82M)	(\$79M*)
Restricted (Audit, Liability, Protection and Settlement Fund)	0.3	0.4	2
Net Investments in Capital Assets	535	622	654
Total Net Assets	\$483M	\$540M	\$577M

*Includes Other Post-employment Benefits (OPEB) restatement of **-\$76M**

- Net Assets Balance decline of **-\$57M** in FY20 is largely due to the following:
 - Change in **Unrestricted Assets** \$30M
 - Operating gain of \$35M
 - Restricted fund loss of **-\$5M**
 - Change in **Capital Assets** **-\$87M**
 - Depreciation & capital expenses **-\$59M**
 - Reclassification of HQ building asset to Unrestricted Fund **-\$32M**
 - Debt Principal payments of \$4M

Capital Plan Expenditures

(\$ in thousands)

College	FY2020 Budget	FY2020 Actual	Notable Items
Districtwide	\$7,432	\$6,836	Electrical Upgrades/ OIT purchases
KK	3,337	1,292	Tutoring Center/ OIT upgrades
HW	5,881	472	OIT upgrades
MX	4,446	3,633	Conveyance Systems/OIT upgrades
TR	6,260	378	Biology Labs
OH	4,835	2,620	TDL FF&E/ OIT Upgrades
DA	4,921	2,924	Boiler & Water Heater Replacement/ OIT Upgrades
WR	5,500	313	OIT Upgrades
Total	\$42,612	\$18,468	

(\$ in thousands)

Category	FY2021 Budget
Information Technology	\$12,164
Conveyance Systems	12,425
Campus Security	1,815
Architectural & Structural	1,515
Mechanical	640
Electrical	200
Environmental & Compliance	200
Total	\$28,959

- FY2020 capital plan budget included appropriated State capital funding
 - Actual spend was under budget as the state funds were not released to CCC
- FY2021 budget includes critical deferred maintenance projects and any local match requirements for State capital funding resources

FY2020 Financial Audit Findings

FY2020 Single Audit Findings

FY2020 Audit

- No (0) material weaknesses or (0) significant deficiency reported in Financial Audit in FY2020
- Six (6) A-133 Audit Findings on Report of Federal Awards including Internal Control Significant Deficiency

FY2019 Audit

- No (0) material weaknesses or (0) significant deficiency reported in Financial Audit in FY2019
- Seven (7) A-133 Audit Findings on Report of Federal Awards including Internal Control Significant Deficiency

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>Finding 2020-001 Return of Title IV Funds – Enrollment Reporting (repeat finding)</p>	<p>Four out of sixty students tested withdrew from City Colleges for which status changes were not properly reported to the National Student Loan Data System (NSLDS). CFR section 685.309 and 690.83(b)(2) requires City Colleges to notify the NSLDS within 30 days of a change in student status or include the change in status in a response to an enrollment reporting roster within 60 days of the student’s date of determination of withdrawal.</p>	<p>Timing issues are the primary cause of not fully meeting the department enrollment requirements. The enrollment reporting functions are housed in the college’s registrar office and separate from financial aid. An enrollment file is generated at the district level and uploaded. However, students who withdraw before the transcript (last date of qualified refund) do not appear on the enrollment file and a manual process takes place to upload students to the National Student Clearinghouse.</p> <p>The Registrars Office & Financial Aid Office has convened to create a new process.</p> <p>Files submitted to NSC</p> <ul style="list-style-type: none"> • City Colleges of Chicago submits enrollment files to NSC approximately every 30 days during each term. The first of term enrollment file is submitted on the Thursday of the second week of classes. • City Colleges of Chicago will also submit a graduates-only file with degrees and certificates for students who have completed their intended program. These files are submitted after the Registrar deadline for entering awards in the PeopleSoft CS system for the term. • City Colleges of Chicago also submits a Degree Verify file for the term after the graduates-only file. This file contains more details about each award the student earned that term (where as the graduates-only file signifies a potential end to enrollment). <p>Error resolution between NSC and NSLDS</p> <ul style="list-style-type: none"> • On the NSC website, under Enrollment Reporting, on the NSLDS Reporting tab, there are two types of error reports which CCC reviews and corrects data as needed. One report comes with NSC (CH = Clearinghouse) as the originator and one report comes with NSLDS as the originator. CCC staff (Trevor Karmanian in Academic Affairs) currently reviews these reports and works with Records or Financial Aid staff for any needed corrections. • Specific student corrections can be made individually to NSC or NSLDS by logging into the respective site. 	<p>Richard Hayes – District Director of Financial Aid</p> <p>Anticipated completion date: 03/01/2021</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>2020-002 Return of Title IV Funds Post –Withdrawal Disbursements (repeat finding)</p>	<p>Four out of sixty students tested, City Colleges did not complete a post-withdrawal disbursement to the student within 45 days from the student’s withdrawal date of determination. 34 CFR Section 668.22 requires City Colleges to disburse any post-withdrawal grants funds which were not credited to the student’s account any later than 45 days after City Colleges determines the student withdrew.</p>	<p>The Financial Aid Office (FAO) will provide college wide procedural update to be outlined in fiscal year 2020 Financial Aid Manual. The office will provide a best practice training from the National Association of Student Financial Aid Administrators (NASFAA) Return to Title IV (R2T4) training course at the all district financial aid meeting. Additionally, the office of Student Financial Aid will collaborate with Information Technology and the Office of Institutional Effectiveness to create an automated notification process and alert system for campus operations to ensure timely processing.</p>	<p>Richard Hayes – District Director of Financial Aid</p> <p>Anticipated completion date: 03/01/2021</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>2020-003 Direct Loan Quality Assurance System (repeat finding)</p>	<p>During the prior year audit, it was determined that City Colleges did not have a formally documented direct loan quality assurance process. During the current fiscal year, City Colleges documented a formal direct loan quality assurance process, however, the process was not documented for the entire fiscal year. 34 CFR Section 685.300(b) (9) require schools to implement and document a quality assurance process to ensure that the College is complying with program requirements and meeting program objectives.</p>	<p>The Financial Aid Office currently executes the functions of the Direct Loan Quality Assurance by:</p> <ul style="list-style-type: none"> • Reporting loan records, disbursements, and adjustments to disbursements correctly to the Common Origination and Disbursement (COD) System, • Disbursing and returning loan funds in accordance with regulatory requirements, • Disbursing the correct loan amount to the correct student, • Completing monthly reconciliation and Program Year Closeout. <p>The Financial Aid Office (FAO) has completed the CCC Financial Aid Manual which discloses the Direct Loan Quality Assurance.</p>	<p>Richard Hayes – District Director of Financial Aid</p> <p>Anticipated completion date: 03/01/2021</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
2020-004 Eligibility	<p>For one out of forty students tested, City Colleges disbursed a Pell grant subsequent to the student receiving a Pell grant at another institution. 34 CFR Section 690.11 states that a student is not entitled to receive Federal Pell Grant payments concurrently from more than one institution or from the Secretary and an institution.</p>	<p>The Financial Aid Office added a Pell MRR (POP-Dual Enrollment) automated error report that goes out weekly to the campus that displays students who are dual enrolled at another campus. The aid packaged on the student account will not disburse until resolved by a campus. The campus financial aid office will need to confirm with the other school before clearing error message and disbursing aid.</p>	<p>Richard Hayes – District Director of Financial Aid</p> <p>Anticipated completion date: 03/01/2021</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>2020-005 Short-Term Programs</p>	<p>Four out of twelve students tested, City Colleges improperly disbursed Pell and SEOG Grants to students enrolled in short-term programs.</p> <p>34 CFR Section 668.8(e) states that students enrolled in short-term programs are not eligible to received Pell or SEOG Grant funds.</p>	<p>The total questions cost for the findings are \$34,004. The amount will be returned back to DOE. Additionally, the FA Module system has been updated to not disburse any aid other than Direct Loans for the two short term programs CCC has.</p>	<p>Richard Hayes – District Director of Financial Aid</p> <p>Anticipated completion date: 12/20/2020</p>

Management Responses to Audit Findings

Financial Statement Review

<u>Finding</u>	<u>Detail</u>	<u>Management Response</u>	<u>Responsible Party/ Due Date</u>
<p>2020-006 Short-Term Program Placement Rate (repeat finding)</p>	<p>The College did not have sufficient documentation to support the placement rate calculation for each student enrolled in a short-term program at a post-secondary vocational institution.</p> <p>For the Direct Loan Program, short-term eligible programs at a postsecondary vocational institution be between 300 - 599 clock hours. They must have been provided for at least one year and must have a substantiated completion and placement rate of at least 70 percent for the most recently completed award year. 34 CFR Section 668.8(f) and (g) requires the college to have documentation supporting its placement rates for each student showing that the student obtained gainful employment in the recognized occupation for which he or she was trained or in a related comparable recognized occupation.</p>	<p>The institution will send out an employment survey to each student who completes a short-term program after End of Term (EOT) processing for each term.</p> <p>The school must document the employment of any student it includes as employed in the placement rate calculation. Examples of such documentation include but are not limited to a written statement from the employer, signed copies of state or federal income tax forms, or written evidence of payment of Social Security taxes.</p> <p>The school must reasonably determine whether a related occupation is comparable. For instance, for a student who was trained as an auto mechanic, it is reasonable to determine that a job as a boat mechanic is comparable. However, for a person trained in retail sales management, a counter-service job at a fast-food restaurant is not comparable.</p> <p>The Director of Research & Planning in collaboration with Program Director will perform outreach to student.</p> <p>The Directors of Research and Planning at each campus will compile all data into report that includes student demographic data requested along with reach rates, employment comparability and employment start and end dates.</p> <p>Report will be submitted to District Director, Financial Aid by the mid-term point of each term except during the Summer term.</p> <p>Final report that includes all (3) terms will be submitted by August 1 of subsequent fiscal year.</p>	<p>Richard Hayes – District Director of Financial Aid</p> <p>Anticipated completion date: 03/01/2021</p>

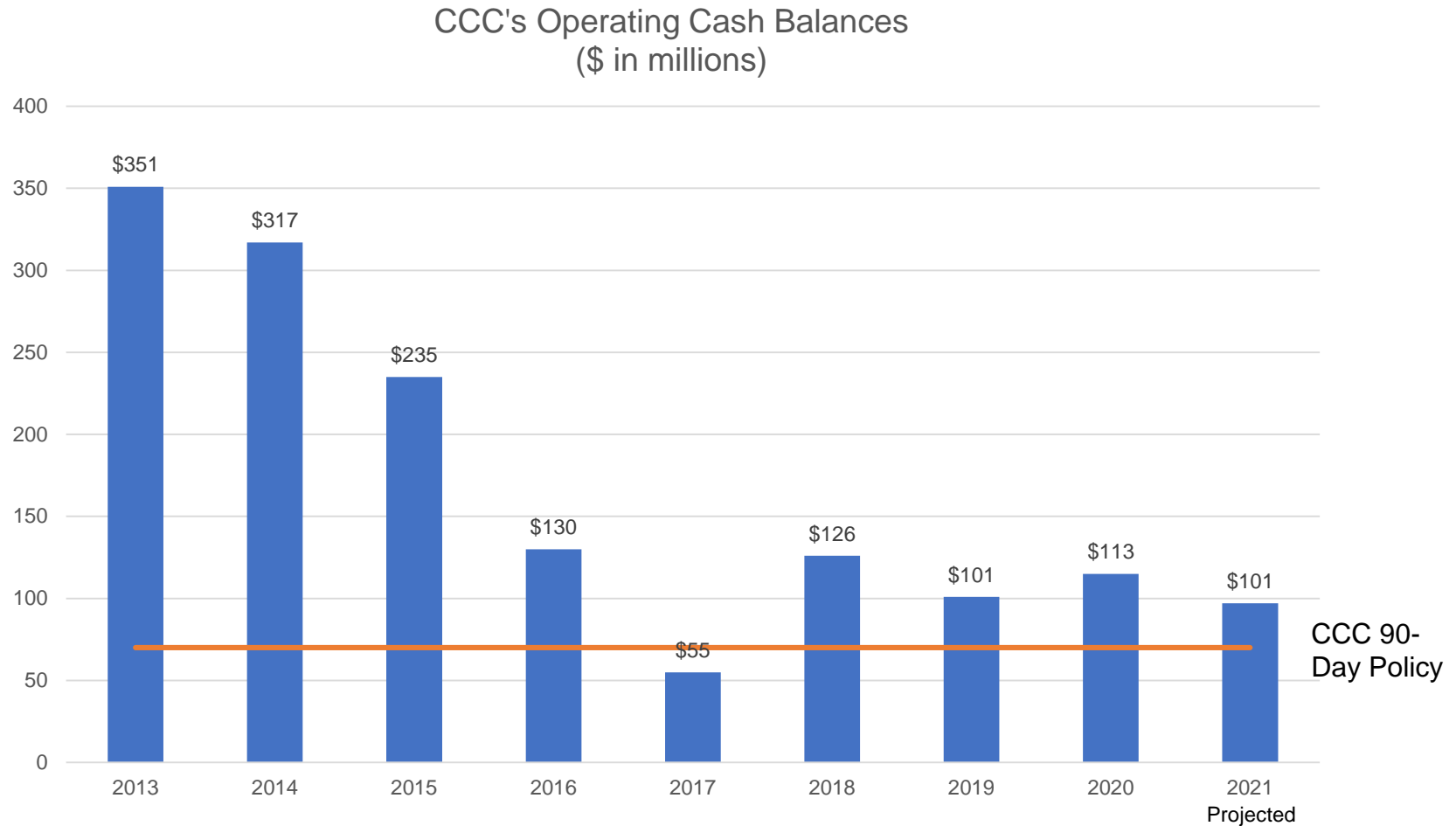
FY2021-Q1 Financial Update

FY21 – 1st Quarter (9/30/20) Forecast

(\$ in thousands)

	2021 Adopted Budget	YTD Actual	2021 Forecast	Variance	Notes
Revenues					
Local Government	\$130,116	\$32,533	\$134,216	\$4,100	Upside due to higher projected TIF surplus of \$7.1M vs. \$3M budget
PPRT	11,632	2,908	12,132	500	\$500k upside per FY21 IDOR estimate.
State Government	52,186	14,787	52,186	-	
Federal Government	8,900	3,994	10,900	2,000	Due to higher operating expense reimbursements.
Tuition and Fees	87,800	40,065	79,020	(8,780)	Due to 10% estimated enrollment decline including Spring.
Auxiliary/Enterprise	9,524	967	9,524	-	
Facilities Rental	700	156	700	-	
Investment Income	1,500	4	1,500	-	
Fundraising	4,300	150	4,300	-	
Revenues Total	\$306,658	\$95,563	\$304,478	(\$2,180)	
Expenses					
Salaries	(\$195,639)	(\$53,122)	(\$193,644)	\$1,995	Due to higher salvage estimates.
Benefits	(38,204)	(4,412)	(38,204)	-	
Benefits - OPEB	5,000	2,211	8,900	3,900	Per most recent actuarial valuation.
Contractual Services	(14,652)	(837)	(14,152)	500	Anticipated savings due to lower enrollment.
Materials and Supplies	(13,737)	(2,245)	(13,137)	600	Anticipated savings due to lower enrollment.
Travel and Conference	(692)	(27)	(692)	-	
Fixed Charges (includes Debt Service)	(23,753)	(4,754)	(23,753)	-	
Gas and Electricity	(7,008)	(1,576)	(7,008)	-	
Other Utilities	(1,393)	(162)	(1,393)	-	
Scholarships and Waivers	(11,524)	(4,279)	(11,524)	-	
Bad Debt	(4,000)	(999)	(3,500)	500	Due to lower projected student receivable balances.
Other Expenses	(1,057)	(67)	(1,057)	-	
Expenses Total	(\$306,658)	(\$70,269)	(\$299,163)	\$7,495	
Net Resources Less Expenditures		\$25,294	\$5,315	\$5,315	

City Colleges Is Focused on Stabilizing its Cash Position



- CCC's goal is to establish financial growth stabilization and provide a positive outlook on the financial position of the District.
- Chancellor Salgado arrived at the beginning of FY18 budget cycle, and has since worked to improve CCC's cash position, including the sale of CCC's downtown headquarters that closed on September 30, 2019.

CCC Credit Rating Update

CCC Credit Rating Update - Standard & Poor's (S&P) and Fitch

Rating Description	Rating/Outlook	Rating Agency
Highest Grade Credit	AAA+ AAA AAA-	
Very High Grade Credit	AA+ AA AA-	
High Grade Credit	A+/Negative A A-	Fitch (Oct-20)
Good Grade Credit	BBB/Negative BBB+ BBB-	S&P (May-20)
Speculative Grade Credit	BB+ BB BB-	

During 2020, S&P and Fitch credit rating agencies reaffirmed CCC's rating but revised the outlook to "Negative" from "Stable" due to COVID impact and uncertainties with state funding.