

## CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used for the financial resources and expenditures for capital projects such as major building repair, renovation, addition, and construction of school facilities. The FY2011 proposed capital budget totals \$806.7 million, significantly less than FY2010. Included in the budget is a proposed bond issue in the amount of \$600 million for new capital projects. This budget will support our commitment to completing the new construction associated with the Modern Schools Across Chicago (MSAC) program and other renovation projects with the ultimate goal of bringing all school buildings into a state of good repair.

### FY2009 - FY2011 Summary of Capital Projects Funds (In Millions)

	<b>FY2009 Actual</b>	<b>FY2010 Budget</b>	<b>FY2011 Budget</b>
Beginning-Year Fund Balance	\$606.1	\$127.2	\$291.1
Reserved for Encumbrance	<u>(100.7)</u>	<u>(127.2)</u>	<u>(291.1)</u>
Fund balance to be appropriated	505.4	0.0	0.0
<b>Revenues:</b>			
Local Revenue	138.9	218.8	151.5
State Revenue	0.0	145.6	50.2
Federal Revenue	<u>2.8</u>	<u>6.0</u>	<u>5.0</u>
Total Revenue	141.7	370.4	206.7
<b>Expenditures:</b>			
Capital Outlay	<u>648.3</u>	<u>1035.4</u>	<u>806.7</u>
<b>Other Financing Sources</b>	1,246.0	665.0	600.0
<b>End-of-Year Fund Balance</b>	<u>\$100.7</u>	<u>\$127.2</u>	<u>\$291.1</u>

### FUNDING SOURCES FOR CPS CAPITAL PROGRAMS

Capital projects are funded by local, state, and federal sources. The majority of funding comes from bond proceeds that rely on local general-fund revenues. This year CPS has been able to take advantage of two Federal programs to support school construction, the Qualified School Construction Bond (QSCB) and the Build America Bonds (BABs) program. The State of Illinois has also issued capital bonds for the first time since 2003 that will benefit CPS.

Since 1996 when CPS initiated the Capital Improvement Program, CPS has spent approximately \$5.5 billion for school construction. Local sources have provided most of this funding; the state provided slightly above 10% of the expenditures. This budget proposes a bond issue in the amount of \$600 million based on general revenues to continue to support the capital projects.

Modern Schools Across Chicago is a partnership between the City and CPS to provide about \$1.3 billion for school construction. The program includes citywide projects representing Chicago's highest priority needs: new high schools to increase capacity and replace outdated

facilities, major high school renovations to update existing facilities, and new elementary schools to relieve overcrowding and replace outdated facilities. The City will pay for its share for these projects from TIF funds and CPS will provide its share from bond issues based on general-fund revenues.

In January 2007, the City of Chicago issued \$332.0 million of general obligation bonds to pay for construction of 24 new schools and three major renovations. The City reimburses CPS for its share of costs as CPS completes these projects. Additional debt will be issued in the third quarter of 2010 and payment schedules for cash reimbursements to cover the remainder of the projects have been negotiated. The FY2011 budget assumes that the City of Chicago will provide \$150.0 million to continue to support MSAC projects.

For the first time since FY2004, the state of Illinois issued school construction grants for school construction, maintenance, and repair. CPS will receive \$29.7 million of reimbursement from these construction grants for FY2010 and additional funding over the next three years. CPS plans to use these funds to cover the debt service for the bonds CPS plans to issue this year.

Additionally, \$12.4 million of state grants are available for CPS to perform a variety of specific capital projects specified by the law starting in FY2011. CPS has been completing survey information to the State to begin the grant process. CPS also anticipates additional funds from the Federal Aviation Administration for noise abatement.

As part of the American Recovery and Reinvestment Act (ARRA), the federal government offers several tax-exempt and tax-credit bond financing options to help school districts raise money more economically for much-needed capital improvements. The ARRA created Qualified School Construction Bonds and Build America Bonds under the Internal Revenue Code. Qualified School Construction Bonds provide \$22.0 billion nationally in interest-free bonding authority for school construction, renovation, repair, and land acquisition for two years. CPS issued bonds for \$254.2 million for FY2010 and received bonding authority in the amount of \$257.1 million for FY2011. In addition, the ARRA authorized \$2.8 billion in interest-free bonding authority to the states for Qualified Zone Academy Bonds (QZABs) for FY2009 and FY2010. CPS will take the utmost advantage of these resources based on the specific needs and opportunities.

#### **FY2011 CAPITAL IMPROVEMENT PROGRAM (CIP)**

The FY2011 Capital Improvement Program includes anticipated proceeds of \$600 million in general obligation bonds, reimbursement revenue of \$150 million from the City for capital projects dedicated to MSAC, interest income of \$1.5 million, and potential state capital grants of \$50.2 million, and noise abatement grants of \$5.0 million. The table below summarizes new capital projects by categories supported by a new bond issue for FY2011.

**Projected FY2011 Capital Plan  
Use of FY2011 Bond Proceeds**

<b><u>Project Type</u></b>	<b><u>Estimate</u></b>
<b>Building Envelope</b>	<b>\$9,000,000</b>
<b>Mechanical &amp; Electrical</b>	<b>\$14,000,000</b>
<b>Building Interior</b>	
School renovation	\$15,000,000
New School Projects	\$39,970,000
Additional Projects	\$61,100,000
Turn Around Program	\$18,100,000
ADA improvements	\$20,000,000
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	<b>\$154,170,000</b>
<b>Facility Site Improvements</b>	
50/50 Sidewalk Program	\$500,000
Exteriors Program	\$250,000
New Campus Parks	\$2,000,000
New Playlot Program	\$2,000,000
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	<b>\$4,750,000</b>
<b>Supplemental Facility Maintenance</b>	
Emergency Capital Renovations	\$12,000,000
Exterior Envelope Repair and Renovation	\$12,000,000
Boiler and Mechanical System Upgrades	\$12,000,000
Project Contingency	\$12,000,000
Change Orders for Prior Year Projects	\$8,000,000
Facility Capital Improvement Program	\$157,000,000
Capital Maintenance Area 1 - 6	\$12,000,000
Auditorium Repair	\$1,000,000
Modular Demolition and Site Improvements	\$2,000,000
Demolition	\$12,000,000
Pool Repair and Renovation	\$8,000,000
Furniture	\$3,500,000
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	<b>\$251,500,000</b>
<b>Other Departmental Projects</b>	
New and expanding schol start-up capital funds	\$9,000,000
College and Career Preparation Initiatives	\$5,400,000
Security System Projects	\$10,600,000
Technology Projects	\$21,800,000
Transportation Edulog System	\$3,000,000
Nutritional Support Service Equipment Upgrades	\$6,900,000
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	<b>\$56,700,000</b>

**Capital and Construction Management**

Energy Management	\$500,000
CIP Program and Design Management	\$25,000,000
	<b>\$25,500,000</b>

**New Facility Construction**

Modern Schools Across Chicago	\$60,000,000
Additional Projects	\$24,380,000
	<b>\$84,380,000</b>

<b>Total</b>	<b>\$600,000,000</b>
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**THREE-YEAR CAPITAL PLANS**

The most recent report from the Illinois State Board of Education on school construction needs estimates that the overall need for CPS is almost \$5 billion. While CPS is committed to raising funds to try to address the most pressing needs, the uncertainty of the current economic environment makes long-range planning a challenge. The table below includes capital programs supported by local bonds only. As long as funds are available, CPS plans to execute the following capital plans:

Sources and Uses of Funds - FY2011-FY2013	Proposed FY 2011	Proposed FY 2012	Proposed FY 2013
<b>Sources:</b>			
Local Bond Proceeds	\$ 600,000,000	\$ 600,000,000	\$ 550,000,000
<b>Uses:</b>			
Building Envelope	\$ 9,000,000	\$ 18,500,000	\$ 28,300,000
Mechanical & Electrical	\$ 14,000,000	\$ 14,000,000	\$ 14,000,000
Building Interior	\$ 154,170,000	\$ 126,000,000	\$ 130,500,000
Facility Site Improvements	\$ 4,750,000	\$ 9,000,000	\$ 9,000,000
Supplemental Facility Maintenance	\$ 94,500,000	\$ 165,000,000	\$ 125,000,000
Facility Capital Improvement Plan	\$ 157,000,000	\$ 169,000,000	\$ 149,000,000
Other Departmental Projects	\$ 56,700,000	\$ 48,500,000	\$ 44,200,000
Capital and Construction Management	\$ 25,500,000	\$ 30,000,000	\$ 30,000,000
New Facility Construction	\$ 84,380,000	\$ 20,000,000	\$ 20,000,000
	<b>\$ 600,000,000</b>	<b>\$ 600,000,000</b>	<b>\$ 550,000,000</b>

**CAPITAL PLANNING OBJECTIVES**

CPS has identified a series of objectives related to the deployment of capital as follows:

- Reduce student density, ideally to no more than 80% of each school's design capacity.
- Achieve a minimum standard of physical condition and operating efficiency through renovation.
- Improve the overall learning environment quality through educational enhancements.

To accomplish these objectives, the CIP is organized into three general program areas: new construction, building renovation, and educational enhancements. The Chicago Board of

Education determines specific project allocations based on need. All schools also go through a physical assessment every three years, which aids in planning future projects.

- **New Construction:** New facility construction that has reduced the degree of overcrowding that exists in CPS. FY2011 new construction projects include new schools, replacement schools, and additions to existing schools. MSAC is designed to support this important need.
- **Building Renovation:** Renovation is the heart of the District's effort to stabilize building conditions throughout the system. A primary goal of renovation is to add at least 25 years to the useful life of every building. FY2011 capital renovations will repair and/or upgrade the exteriors and interiors of school buildings to ensure safe and efficient learning environments and to fund ADA accessibility projects. Additionally, FY2011 building renovation projects include replacing or rehabilitating specific school facilities such as gymnasiums, washrooms, boilers, doors, and improving kitchens and food service operations.
- **Educational Enhancement:** These projects seek to enhance CPS student-learning experiences. Educational enhancements include providing expanded information access in the form of Internet, local- and wide-area network (LAN and WAN) classroom hookups, as well as requisite electrical distribution upgrades. This category also provides for new and rehabilitated science labs, health centers, career preparation labs, early childhood and pre-K classroom development and parent-child center renovations, play lots and campus parks.
- **Technology Improvement:** Technology implementations that benefit the District have also been funded through CIPs. Over the last several years, CPS has completed major overhauls of the human resources, payroll, financial, and student information systems. This department is now focusing on enhancing support to the schools, improving efficiencies within the administration, upgrading school-based technology, and enhancing the CPS Information Dashboard to support performance management.

## **CAPITAL PLANNING PROCESS FOR IDENTIFYING PROJECTS**

In developing and maintaining the CIP throughout the year, CPS dispatches assessment teams of technical professionals to survey and inspect 200 of the buildings each year and rank the building in order of severity by phase. The laddering effect of this type of assessment strategy ensures that each building receives a complete assessment approximately every three years. The assessment is designated in phases as follows:

### **Phase I – Building Envelope**

- a. Exterior Envelope (Masonry, Windows, Doors)
- b. Roof Replacement

### **Phase II – Mechanical, Electrical and Plumbing**

- a. Boiler and Mechanical Replacements and Upgrades
- b. Plumbing
- c. Lighting Replacements and Upgrades

Phase III – Building Interior

- a. ADA Improvements
- b. Furniture

Phase IV – Facility Site Improvements

- a. Landscaping
- b. Parking
- c. City Ordinance Compliance

The data gathered from these assessments are updated, recorded, and tracked in an extensive facility database which is used in part to determine the priorities set for the annual CIP.

Although the assessments and phased renovation approach is a credible process for prioritizing the work and developing projects, CPS also gathers feedback and information from the individual communities throughout the City. Since the program is funded on a yearly basis, this process allows for a more efficient day-to-day management of an older school portfolio by standardizing purchasing and repair procedures.

### **CAPITAL PROCESS TO SET CAPITAL PRIORITIES**

To date, the CIP has completed approximately 90% of the Phase I projects and is now beginning to address the worst mechanical, electrical, and plumbing systems in the portfolio (Phase II).

The compilation of assessments, community input, and other project requests are reviewed and ordered in rank by severity of need from 1 to 7. A life-safety issue is designated as a 1, while a 7 reflects a good and stable condition. Weighting factors are assigned to each scope item based upon a predetermined factor for each type of work. The assessed ranking for a scope item is then inverted and multiplied by the weighting factor to create a score for each scope item. The higher the score, the greater the need is for the particular scope item.

The scope details are then grouped into project types to form discrete projects such as boiler/mechanical, lighting, or fire protection. The cost and score for the related scopes are summed to create a project cost and score. The project score for one building is then compared to a similar project score of other buildings to create a priority list.

Assessment data is continually being updated as new assessments are completed. The addition of new data and revision of existing data adjust the project scopes and, correspondingly, the priority list. Rankings and weight factors may be adjusted from time to time in order to more accurately prioritize school project needs.

The School Assessment database can be accessed through the following CPS link:  
<http://www.csc.cps.k12.il.us/servlet/CIP?ASMT=Y>

## **IMPACT OF THE CAPITAL IMPROVEMENT PROGRAM (CIP) ON OPERATING BUDGET**

Committing to a Capital Improvement Program that addresses the need for both new buildings and additions as well as the ongoing needs of our existing buildings for major renovations, replacement of major components such as roofs, boilers, and windows, and educational updates, requires significant increases in debt service as well as some increases in daily operations. CPS relies on debt financing to fund the CIP, along with support from the City of Chicago for new construction. CPS' ability to raise funds over the next several years will have an impact on the implementation of the CIP. Identifying a dedicated source of funding for capital improvements separate from the operating budget would allow CPS to develop better capital plans and address maintenance issues in a more timely way. This dedicated source would most likely impact property taxes within Chicago.

CPS' new buildings are more energy efficient, and in some cases have green roofs, but also have increased usage such as air conditioning, larger public areas, and more up-to-date air circulation technology, and therefore do not necessarily have lower energy consumption than existing buildings. New buildings with non-traditional landscaping needs increase the exterior maintenance costs. New buildings that increase our seating capacity also increase our operating costs by adding administrative and support personnel, including a principal, school clerk, engineer and custodians. Operating expenses for utilities, landscaping, pest control, snow removal, and operating and maintenance activities also impact the operating budget. For replacement schools, the operating costs should be less than the existing older buildings due to their age and condition.

As part of the CIP, CPS allocates funds for energy efficiency projects such as lighting retrofits, electrical upgrades, boiler replacements, new windows, and other improvements that do reduce energy consumption for individual projects. As our schools move to new school calendars that allow for extended days, Saturday classes, more community involvement, and year-round schedules, these savings offset the increased costs of operating our buildings. CPS is undertaking an extensive energy assessment of all of our buildings to help mitigate increasing energy consumption and target our improvements to the worst performing schools.

CPS also spends our capital dollars on technology initiatives. Two projects underway this year will help manage the capital improvement program through project accounting and creation of an asset management database that will track warranties, life cycle replacements, routine maintenance and other operational data that should result in significant reduction in costs of maintaining our existing buildings. An online student assessment tool is also being implemented that will result in quicker turnarounds of student evaluation data to help teachers identify needs in individual student achievement in a more timely way.

CPS also demolished two buildings this year, which reduced the costs of maintaining and protecting these facilities. Demolishing these two structures also mitigated safety risks and reduced liability issues that occur when infrastructure is vacant or in a state of disrepair.