Introduction
Chicago Public Schools presents its proposed comprehensive Capital Improvement Plan for Fiscal Years 2013 – 2017 at a critical time in the District's history. New leadership has sent a strong message to redirect dollars away from the unnecessary and inefficient spending of the past and toward the classroom and student learning – and with the added challenge of doing so with limited resources. The District is facing a $600 - $700 million deficit in FY13 alone, as revenues continue to decline and expenses continue to rise over the next several years.

Preparing a capital budget for the District with about $4.9 billion in unmet capital needs required meeting these challenges head on while remaining committed to investing in its facilities to ensure safe and secure learning environments for students and to upgrading infrastructure to support District programs and priorities.

Under these guidelines the District is proposing a $109.6 million, one-year capital plan for improvements and upgrades to schools and other facilities. While smaller in comparison than previous years, it addresses the most pressing necessities and critical infrastructure needs facing the District including areas of health and safety, as well as key capital priorities designed to support student achievement. These projects range from stabilizing or replacing 70-year-old smokestacks in a state of disrepair to building or repairing playgrounds to provide students with resources for recess as they move to the Full School Day next year. Combined with $765 million in capital projects in the pipeline from prior year capital plans, there are nearly 200 projects planned or underway to address multiple needs at hundreds of schools throughout the District.

The District also has proposed a Five-Year Capital Plan. Anticipating that the same fiscal constraints will continue, the Five-Year Capital Plan continues the focused but modest capital investment, estimating approximately $100 million in FY14. It increases to $200 million in FY15, FY16 and FY17 when a modest improvement in the fiscal picture is expected.

Transparency
CPS's FY13 proposed One- and Five-Year Capital Plans are available this year earlier than ever before and provide an unprecedented level of detail on a dedicated website at www.cps.edu/capitalplan, with easy access to information on all capital projects – planned and underway. The site allows users to sort and select projects by school, geographic area, type, and year; and the ability to scroll over an interactive map to gather details by area. The site has been designed to encourage public engagement and comment to ensure better planning and implementation of the capital program.

Developing and posting the proposed FY13 and Five-Year Capital Plan ensures that CPS has complied with the requirements of Public Act 097-0474. The Plan complements the space utilization standards released on December 28, 2011, and will supplement the upcoming Annual Capital Expenditure Report to be provided by September 30, 2012, and the Education Facilities Master Plan to be released in draft on January 1, 2013. Together, these resources as outlined in P.A. 097-0474 will provide a comprehensive picture of the utilization, capital needs, and future direction for CPS's physical infrastructure.

Guiding Principles
The Educational Facilities Master Plan, the 10-year outline of community area-level needs and individual school level needs, will be released in draft on January 1, 2013, in accordance with P.A. 097-0474. Until that document is released, we have used the underlying principles inherent in the Master Plan to guide our interim FY13 and Five-Year Capital Plans.

- Educational goals guide the direction. Investments in Career and Technical Education Programs, Early College Science, Technology, Engineering, and Mathematics Schools (ECSS), and Recess initiatives and other programmatic initiatives are a top priority for new capital investment.

- Health/safety must be maintained. Because the scope of our capital investment is limited, we are focusing directly on investments to protect the health and safety of the students, teachers, and adults in the school community. This means repairing masonry that is cracked and at risk of crumbling; chimneys that are in danger of collapse; roofs that are leaking and causing interior damage; and boilers that are in urgent need of replacement.

- Invest in efficiency. Projects that pay back their cost many times over are good investments. Utility savings from projects like lighting retrofitting, to remove old, inefficient light fixtures, can cover the cost of the replacement in as little as four years. Investing in these types of projects just makes sense.

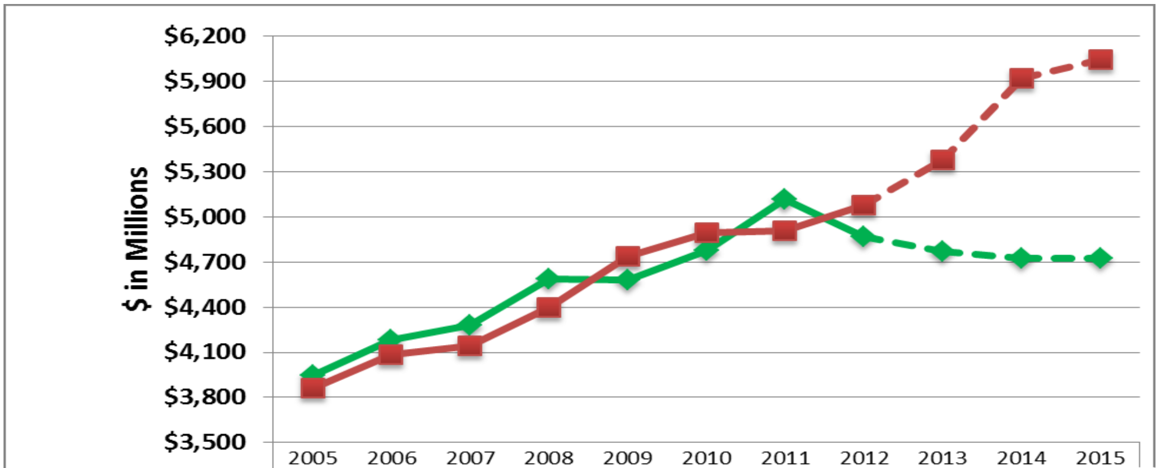
- Partner for external support. The District has been successful in expanding the scope of its capital program in the past through external funding sources such as TIF. Any additional resources can help expand the FY13 – FY17 Capital Plan beyond the current projects.

Financial Overview

The size and scope of the Capital Plan is very much dependent on CPS's overall financial picture. Each year, the District must balance classroom instruction with other costs, such as investment in infrastructure. In tight fiscal times, these tradeoffs are in high relief. This is especially true in FY13 — FY17 as CPS's budget outlook is very challenging as revenues are declining and operating expenditures keep growing.

From FY05 – FY11, revenues and expenditures generally tracked together and rose steadily. The District experienced deficits in some years, but surpluses in others, enabling CPS to maintain financial stability. However, much of this was masked by federal stimulus funds which, beginning in FY09, helped increase revenues and limited the need for deep cuts in expenditures. That supplemental support started to decline in FY12 and will drop off completely by FY13. Further, it is unlikely that we will benefit from higher support from the state as it too struggles to manage its budget. At best, we are planning for level funding for the next several years.

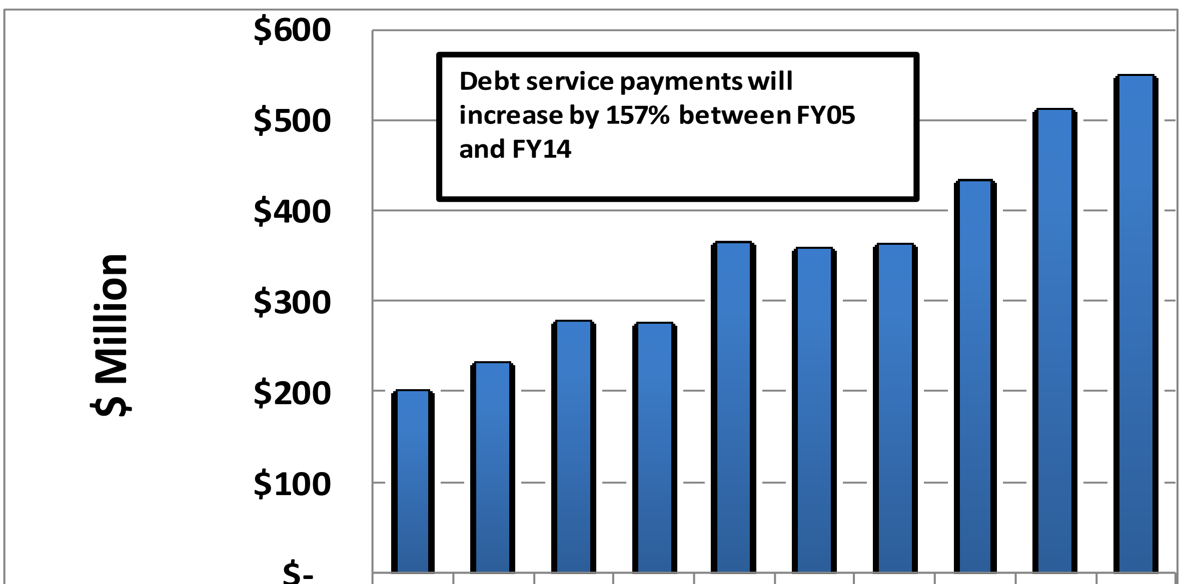
The District's spending pressures are similarly challenging. Unlikely any other district in the State of Illinois, CPS must pay the cost of the teachers' pension fund. For all other districts, this cost is covered by the State. For three years the CPS pension contributions are legislatively fixed at about $200 million per year, but in FY14, the contribution jumps to a projected $535 million, a $335 million increase in one year, and continues to grow thereafter.



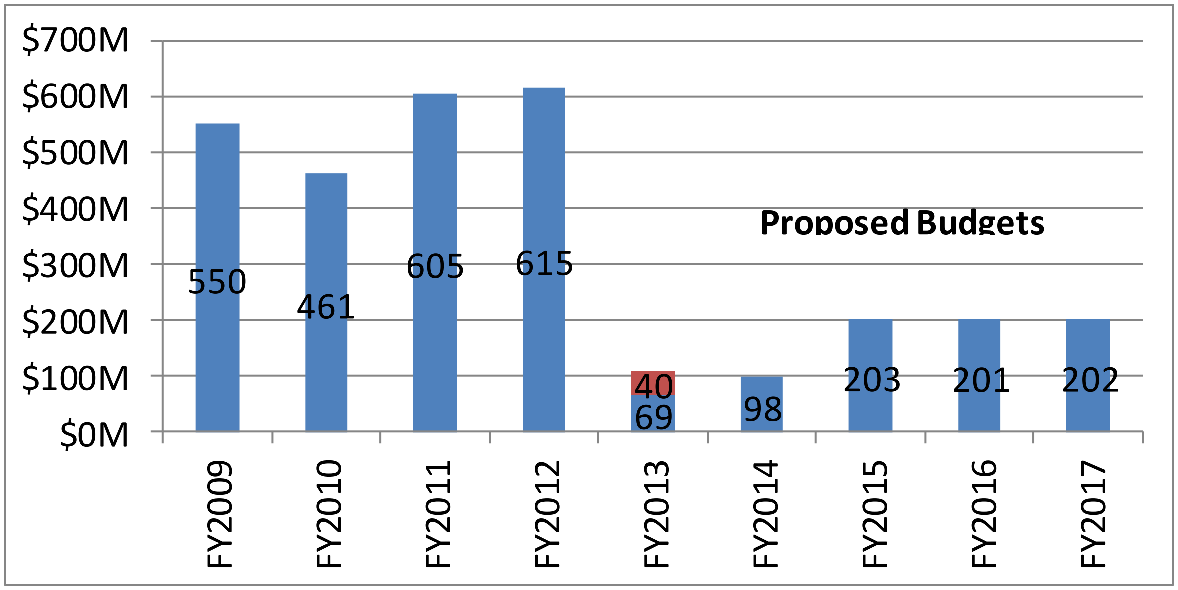
	2005	2006	2007	2008	2009	2010	2011	2012
Revenue	$3,945	$4,185	$4,283	$4,586	$4,580	$4,776	$5,116	$4,869
Expenditure	$3,862	$4,085	$4,146	$4,395	$4,737	$4,896	$4,910	$5,077
Surplus/Deficit	$83	$100	$137	$191	-$157	-$120	$206	-$208

In addition to the structural pressure caused by the increasing pension contribution, CPS must set aside funding to pay debt service for the capital program. As discussed elsewhere in this document, CPS has multiple sources of funding for its capital program, but the largest is bonds the District issues. The larger our capital program, the more we borrow and the more we have to set aside for debt service. We are facing significant pressure in FY 13 and beyond to cover the cost of debt service.

With all of these fiscal constraints in mind, we are presenting a capital plan that is more modest in scope than in the past.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service Set-Aside	$199	$230	$276	$274	$364	$358	$362	$432	$511	$548



Our capital proposal reflects approximately $200 million in new spending in FY13 – FY14, and then a modest increase in spending in FY15 – FY17 as the District begins to right its financial ship, improves efficiency, and frees up resources that will allow us to increase capital investment.

Recognizing the limitations of CPS's own resources, we are looking to innovative ways to support capital investment. In FY13, we will provide $40 million in new energy retrofit projects, such as replacing outdated lighting fixtures with energy efficient fixtures to save electricity costs. We are able to do this only because of the support from the Mayor's new Chicago Infrastructure Trust. The Trust, approved by City Council on April 24, 2012, is designed to leverage private dollars for public investment. While the Trust will not be a substitute for traditional CPS financing, CPS is able to supplement its investment with the Trust.

Hundreds of Projects Underway

In addition to outlining the proposed projects for FY13 – FY17, this presentation identifies each of the over 200 projects that are currently underway from our prior year capital plans. Capital projects frequently cross fiscal years, as major renovations take time to complete or are done in phases when children are not in school. Thus, while we are proposing to add $100 million of new projects, CPS is currently working on hundreds of millions in projects that began in FY12 or before. All of these are detailed in the separate Project Detail section.

Framework for Capital Planning: Public Act 097-0474

On August 22, 2011, the Governor signed into law P.A. 097-0474. This legislation provides a broad framework to guide CPS facility planning through annual plans, five-year plans, and the ten-year Educational Facilities Master Plan. These plans, along with the guidelines for school actions and the partnership with the Chicago Education Facilities Task Force, will ensure the broadest participation and greatest transparency in CPS planning.

P.A. 097-0474 established the following key components in addition to the one-, five-, and ten-year plans:

- **Bi-Annual Assessments:** Facility assessments will be done bi-annually now, instead of tri-annually. CPS will inspect 350 schools annually going forward, up from 230 schools when using tri-annual assessments.

- **Annual Capital Plan Release Date:** The public dissemination of one year capital plans at least 60 days prior to the end of each fiscal year. CPS has traditionally introduced the capital budget at the same time as the operating budget. This document conforms to the requirements set forth in P.A. 097-0474.

- **Annual Report:** An annual capital report detailing differences between the projected 5-year capital plan and the projects included in the one-year budget and an expenditure report for the prior year's projects is due by September 30 of each year.