FY14 Budget Proposal

July 24, 2013

Agenda

- FY13 Summary of Results
- FY14 Operating Budget
- FY14 Capital Budget
- Outlook through FY16

Summary of projected FY13 results

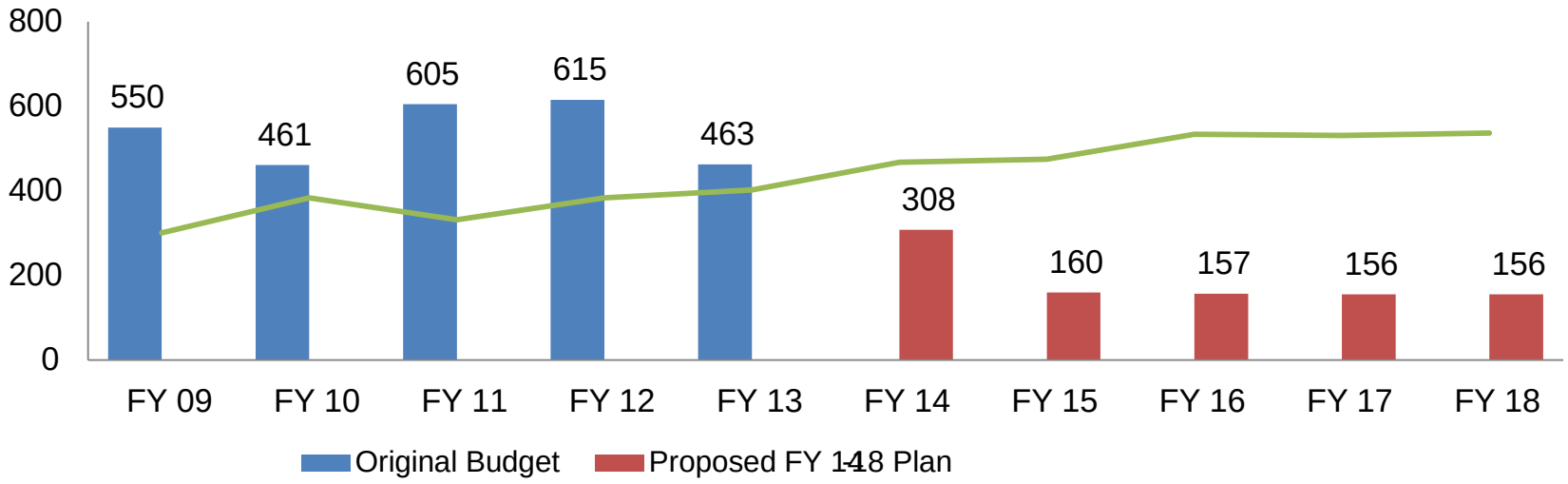
- Projected operating deficit of ($273M), but better than budget by $159M
- Deficit covered by fund balance reserves, as planned.
- Capital spending of $473M reflects investment in school transitions, but is lower than recent years
- Better management of debt reduced and delayed debt service burden
- This improved performance helps limit pain in FY14

FY13 Operating result better than budget

	Budge	Projectec	Difference
Revenue			
Property Tax	2,052.8	2,052.8	-
Replacement Tax			

FY13 Capital budget reflects critical investments

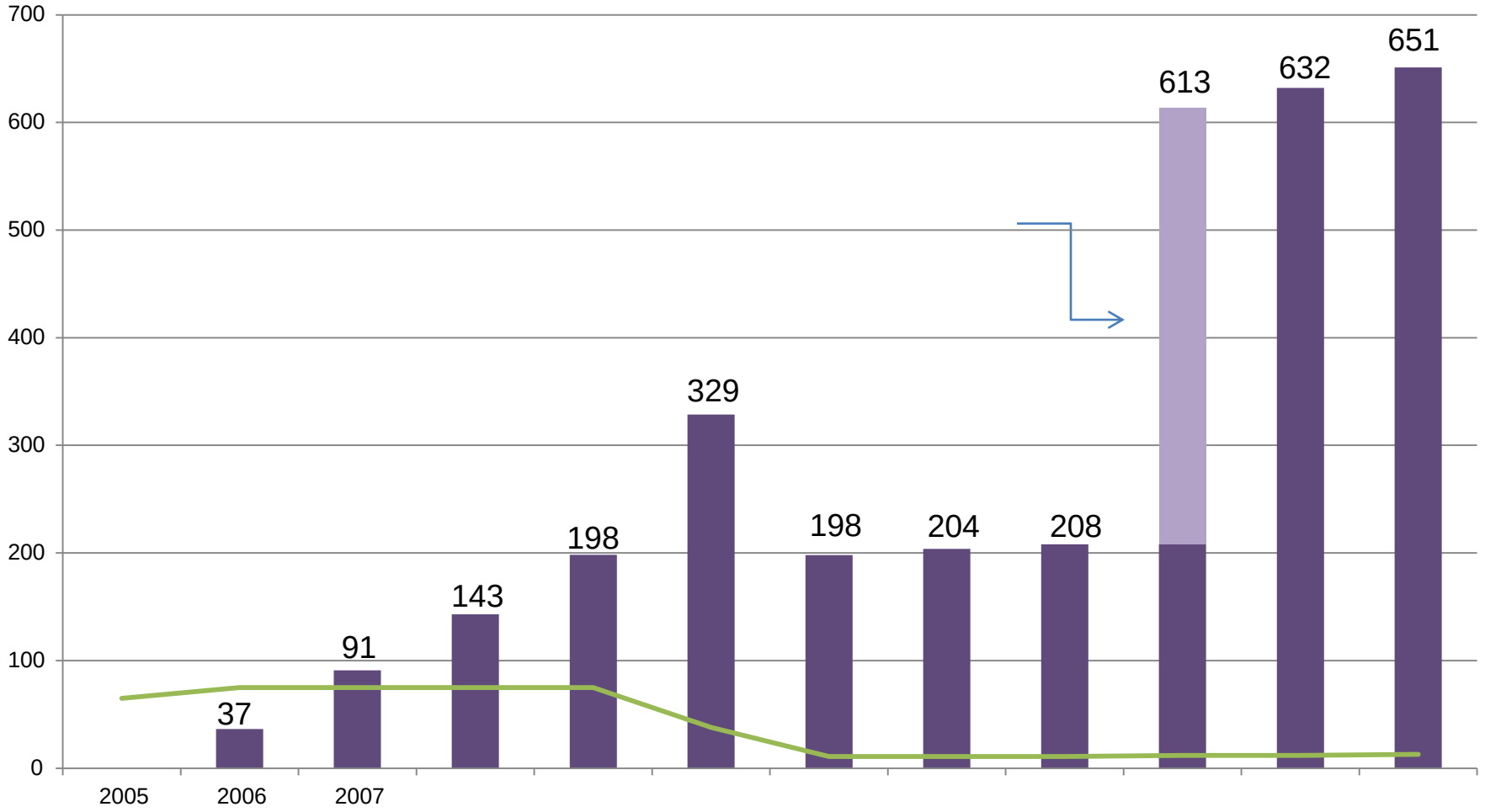
- Spending lower than past years even with supplemental budget investments in student transitions
- Debt burden from these begins in FY15



$ millions	FY10	FY11	FY12	FY13	FY14	FY15
Refinancings	1	5	5	-	2	7
Line of Credit	-	-	-	-	10	8
Restructuring/ Capitalized Interest	14	93	80	96	61	(2)

FY14 Operating Budget

Pension relief ends, creating enormous cliff for us to absc



The State provides insufficient funding for CPS

- Illinois ranks 48th among states in percent of education funding it provides (32% versus 48% average)
- FY14 funding is 3rd *the statutory minimum* of $6,119/pupil); now 9% below at $5,720
- Other large districts like NY, LA, Philadelphia, and Milwaukee receive over *50% more per pupil* from their states (each more than $8,500)
- Illinois Education Funding Advisory Board has asserted that $8,672 *we are 36% below that*
- No other districts in Illinois and no large districts nationally are required to fund almost all teacher pension expense (including unfunded liability)
- As bad as this is, the outlook in Illinois is for *less* education funding due the pension crisis

FY14 Operating Budget

FY14 budget reflects continuing pattern of central office, administration, and operations reductions

Since FY11, we have made nearly $700M in cuts to maximize funds available for the classroom

	FY11	FY12	FY13	FY14	TOTAL
Administration	17.2	107.0	12.0	33.7	169.9
Operations	14.1	127.0	116.0	59.5	316.6
Programs	0.0	87.0	49.0	18.4	154.4
Debt Obligations*	44.0	--	--	--	44.0
TOTAL	75.3	321.0	177.0	111.6	684.9

* Initiatives to lower annual debt service expense add to Operating Fund revenue

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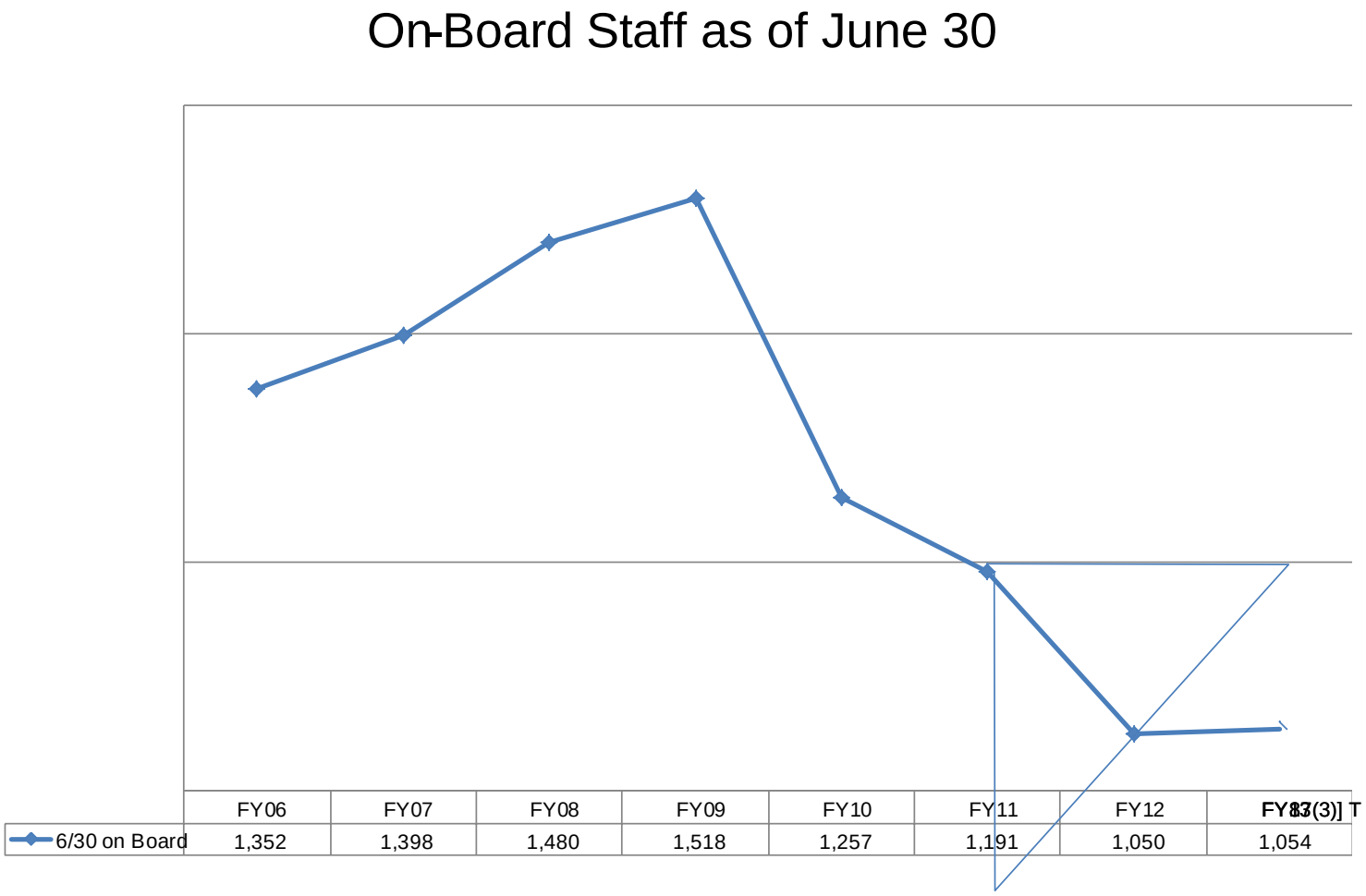
Central office headcount down 34% since FY09



Consolidating underutilized schools will save $41M per year in operating costs

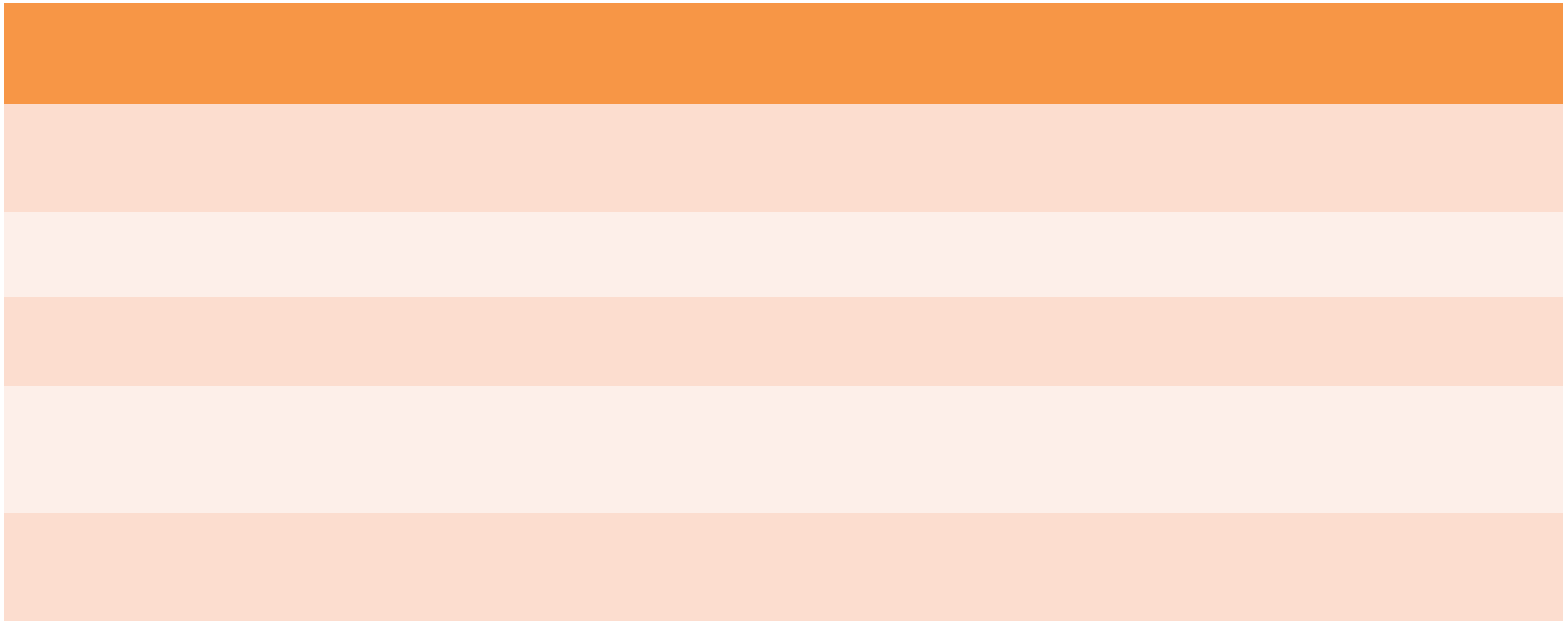
	FY14 Savings ($M)
Food Service Workers	5.4
Engineer Reductions	3.5
Custodial Reductions	7.7
Utility Savings	3.4
Academic Counselors	5.4
Clerks	3.8
Principals	9.1
Supplemental Resources	2.6
Estimated Annual Savings	$40.9
Average Per School	$0.75

Those savings reinvested in welcoming schools in FY14 to ensure student success

	$M
Social/emotional supports	16.0
Moving assets/logistics	16.4
Safe Passage/Safety	9.2
Transportation	1.2
Welcoming school fund	5.7

Unfortunately reductions to school budget were unavoidab

- There was no alternative to making some reductions to school budgets after Springfield left us with $405M pension increase
- Overall reduction of 3.5% to core instruction ($68M)
- We reduced the challenge with early release of SGSA funds to schools ($36M)
- Student based budgeting (SBB) created more transparency and equity, but some first year transitions were tough



FY14 Capital Budget

FY14 Capital Budget Summary

- Proposed CPS investment level is lower than past years at $187.7M despite enormous capital needs
- $308M total budget
- Disciplined screening process focuses on critical priorities
- We cannot meet all district needs now without more funds to cover futur debt service burden
- Closing 57 buildings will save over $400M in future capital investment, freeing funds for remaining 600+ facilities

Capital priorities receiving reduced FY14 investments

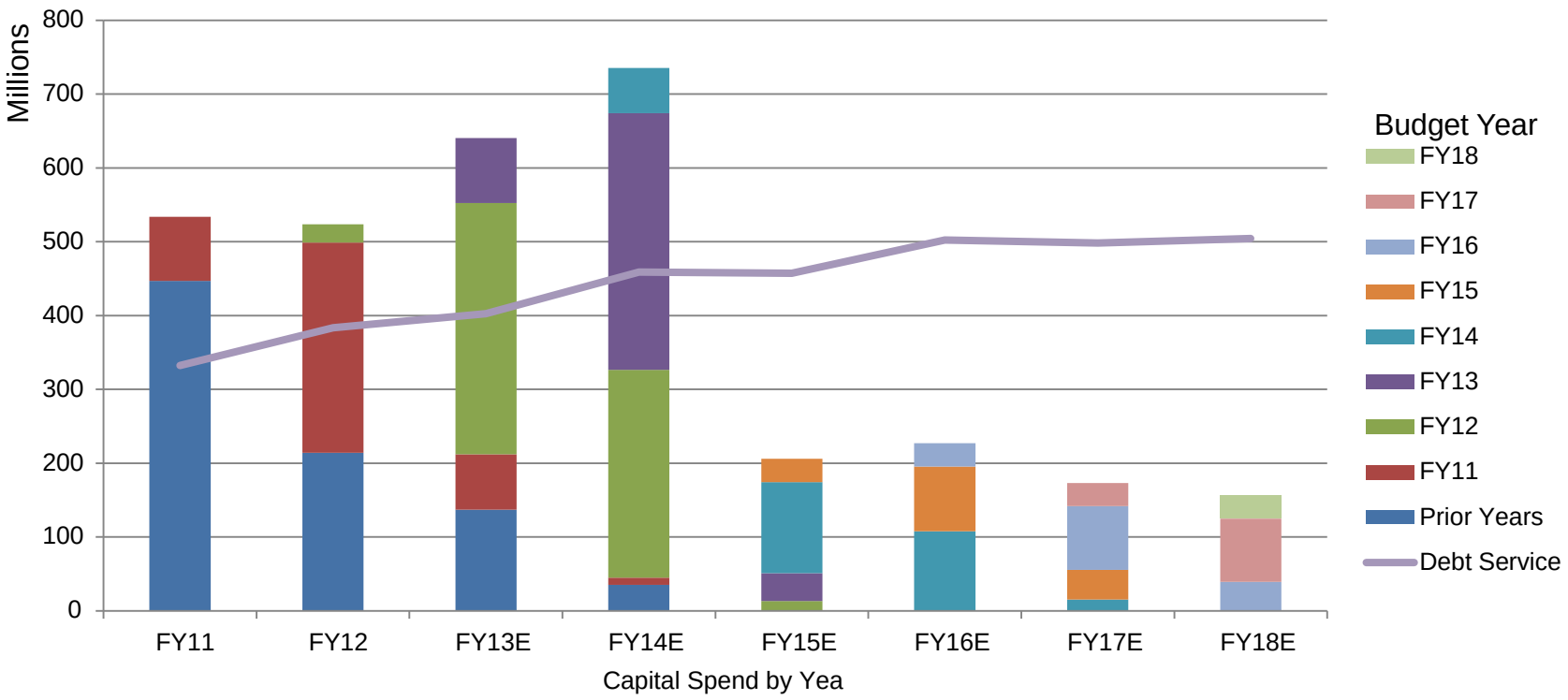
FY14 Building Condition and Maintenance Projects

- $125.7M in Building Condition projects
  - Chicago High School for the Arts - $30M - Renovation for new space
  - Taft - $17.0M - New windows, lockers and labs
  - White School - $6.6M: Replace roof, windows, and rooftop mechanical heating/cooling units
  - Carson School - $6.4M - Replace Roof, Masonry, Parapets at Main Building and replace fire alarm. Replace Roof at Annex building.
  - Hamline Branch - $2.0M - New roof. Repair all masonry parapets. Replace damaged ceiling tile.
  - Shoesmith School - $4.5M - Replace existing boilers with new. Provide Air Conditioning
  - Chimney repair (various schools) - $5M
  - Auditorium seating replacement - $0.5M
  - Contingency - $25.0M

FY14 Education, Technology, and IT Investments

- $

Necessary capital spending leads debt service



Future Outlook

	FY 14 Budget	FY 15 Projection		FY 16 Projection
Revenue				
Property Tax	2,141.4	2,157.4	*16.0*	2,229.4

Conclusion

- CPS is forced to deal with a staggering financial challenge
- But we must keep investing to improve student outcomes
- We have made tremendous changes to keep cuts away from the classroom, but can no longer avoid cuts to schools
- Our use of reserves was necessary to stay on mission
- Future years require significant help from Springfield; we cannot continue to absorb financial shocks like in FY14
- Our entire team is dedicated to succeed