

DEBT SERVICE FUNDS ANALYSIS

The Board is authorized by state law to issue notes and bonds and to enter into lease agreements for capital improvement projects and cash requirements. Debt Service Funds are established to account for annual property tax levies, Personal Property Replacement Taxes, General State Aid, and other revenues that are used for principal, interest, and lease payments.

The FY2007 debt service obligation will require a total appropriation of \$263.7 million, an increase of \$23.9 million over the FY2006 adopted budget of \$239.8 million. This increase results primarily from the proposed appropriation of \$23.0 million for a \$350.0 million new bond issue so that the Chicago Public Schools can continue its capital improvement programs in FY2007.

Summary of Debt Service Funds FY2007 Budget (In Millions)

	Alternate G.O. Bonds	PBC Leases	Total Debt Service
Beginning-Year			
Total Fund Balance	\$270.6	\$34.0	\$304.6
Reserved Balance	(270.6)	(34.0)	(304.6)
<hr/> Fund Balance to be Appropriated	<hr/> \$0.0	<hr/> \$0.0	<hr/> \$0.0
Revenues:			
Local	\$77.2	\$51.8	\$129.0
State	134.7	0.0	134.7
Total Revenue	<hr/> 211.9	<hr/> 51.8	<hr/> 263.7
Total Resources	<hr/> \$211.9	<hr/> \$51.8	<hr/> \$263.7
 Appropriation:			
Principal & Interest	<hr/> \$211.9	<hr/> \$51.8	<hr/> \$263.7
 Fund Balance:			
End of Year	<hr/> \$270.6	<hr/> \$34.0	<hr/> \$304.6

Debt service in FY2007 includes appropriation of \$189.0 million for existing Alternate General Obligation bonds such as Series 1996, 1997, 1997A, 1999A, 2000A, 2000B, 2000C, 2000D, 2001A, 2001C, 2002A, 2003A, a portion of the 2003D, 2004A, 2004CDE, 2004FGH, 2005AB, 2005C and 2005DE and swap payments related to the Series 2003B, a portion of the 2003D, 2004B and 2005DE issues.

In addition, the Board proposes to issue approximately \$350.0 million of Unlimited Tax General Obligation Bonds in one or more series for the capital improvement programs in FY2007. Debt service on the new bonds, estimated at \$23.9 million per year, will be funded primarily from General State Aid revenues.

The lease payments for the Public Building Commission (PBC) are for revenue bonds that the PBC sold to fund capital projects for schools that the Board is leasing from the PBC. The current lease payments relate to PBC bonds issued in 1992, 1993, and refunding bonds issued in 1999. Property tax revenues required to pay for these bonds are \$51.8 million in FY2007, an increase of \$0.4 million over the FY2006 level.

Not included in the debt service funds is the annual debt payment of \$1.3 million for the EPA Asbestos-in-Schools Abatement loans, which is appropriated in the PBC operation & Maintenance Fund.

Debt Management and Legal Debt Limit

The Chicago Public Schools periodically issues debt to support many projects throughout the school district. In doing so, it creates debt service requirements for these bonds. Debt service on Unlimited Tax General Obligation Bonds is funded primarily from Personal Property Replacement Taxes (PPRT), Intergovernmental Agreement revenues (IGA), or General State Aid revenues.

Since 1996, the Board has exercised its borrowing authority to construct new schools and renovate existing school buildings. The debt mechanism that the Board has utilized consists primarily of unlimited tax general obligation bonds (issued as alternate bonds). Since property tax levies are not extended to support these debt issues, the alternate bonds do not count against the legal debt limit imposed by the Illinois School Code.

The School Code imposes a statutory limit on the total outstanding debt that the Board may borrow. The rate is set at 13.8% of the total school district's equalized assessed value. At the end of FY2005, the Board's ratio of total outstanding debt to equalized assessed value was 1.05%, well below the legal debt limit of 13.8%, and the ratio is anticipated to stay at this level in FY2007.

The Debt Management Policy of CPS provides guidance for debt management and capital planning and enhances the Board's ability to manage its debt in a conservative and prudent manner.

One of the main goals of the policy is to ensure that CPS maintains the highest possible credit rating among the credit agencies. For FY2005, the credit rating was A+ by Standard & Poor's Rating Services and Fitch Investor Services. Another main goal of the policy is to say in compliance with various rules and regulations.

As part of the Debt Management Policy, CPS is authorized to use a number of tools to manage its portfolio of debt. Some of the tools and techniques employed are: refunding of existing debt, using derivative instruments, and issuing fixed or variable rate bonds, and issuing short-term or long-term debt. These tools are used to manage various types of risks, generate cost savings, and enhance capital asset planning.

A copy of the Debt Management Policy is available at the Board's website at <http://policy.cps.k12.us/documents/404.1.pdf>

The table below lists all the outstanding bonds issued since 1996:

Debt Type	Closing Date	Maturity Date	Original Issue Amount	Pledged Funding Source for Debt Service
Unlimited Tax G.O. Series 1996	4/25/1996	12/1/2026	\$350,000,000	PPRT
Unlimited Tax G.O. Series 1997	5/7/1997	12/1/2027	\$500,000,000	PPRT
Unlimited Tax G.O. Series 1997A	12/3/1997	12/1/1930	\$499,995,204	1997 IGA/PPRT
Qualified Zone Academy Bond	9/24/1998	9/23/2011	\$14,000,000	1997 IGA
Unlimited Tax G.O. Series 1998B-1	10/28/1998	12/1/1931	\$328,714,364	1997 IGA/PPRT
Unlimited Tax G.O. Series 1999A	2/25/1999	12/1/1931	\$532,553,136	1997 IGA/PPRT
PBC Series C of 1999	9/22/1999	2/1/2006	\$316,255,000	1997 IGA/PPRT
Qualified Zone Academy IDFA 1999A	12/22/1999	12/21/2011	\$12,000,000	State Aid
Unlimited Tax G.O. Series 2000A	7/20/2000	12/1/1931	\$106,960,000	State Aid
Unlimited Tax G.O. Series 2000B,C, D	9/7/2000	3/1/1932	\$303,000,000	State Aid
Qualified Zone Academy Series 2000E	12/19/2000	12/18/2013	\$13,390,000	State Aid
Unlimited Tax G.O. Series 2001A	3/1/2001	12/1/1931	\$45,110,000	State Aid
Qualified Zone Academy Series 2001B	10/24/2001	10/23/2015	\$9,440,000	State Aid
Unlimited Tax G.O. Series 2001C	12/11/2001	12/1/1931	\$217,260,000	State Aid
Unlimited Tax G.O. Series 2002A	9/24/2002	12/1/2022	\$48,970,000	IGA - TIF
Unlimited Tax G.O. Series 2003A,B	2/13/2003	3/1/1933	\$259,665,000	State Aid
Qualified Zone Academy Series 2003C	10/28/2003	10/27/2017	\$4,585,000	State Aid
Unlimited Tax G.O. Series 2003D	12/12/2003	3/1/1934	\$257,925,000	State Aid
Unlimited Tax G.O. Refunding, Series 2004AB	4/6/2004	3/1/1932	\$503,485,000	PPRT/State Aid
Unlimited Tax G.O. Bonds Series 2004CDE	11/10/2004	3/1/1935	\$222,080,000	State Aid
Unlimited Tax G.O. Bonds Series 2004FGH	12/1/2004	12/1/2024	\$56,000,000	IGA - TIF
Unlimited Tax G.O. Bonds Series 2005AB	6/27/2005	12/1/1931	\$246,180,000	PPRT/State Aid
Unlimited Tax G.O. Bonds Series 2005C	11/15/2005	12/1/2024	\$53,750,000	IGA - TIF
Unlimited Tax G.O. Bonds Series 2005DE	12/8/2005	3/1/1936	\$325,000,000	State Aid

* IGA – Inter-government Agreement

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Fiscal Year Ending June 30	Total Existing G.O. Bond Debt Service	Estimated Fiscal Year 2007 Bond Issue (s)	PBC Leases	Asbestos Loan	TOTAL
2007	186,751,981	23,000,000	51,765,744	1,268,760	262,786,485
2008	193,406,046	23,000,000	51,800,356	1,138,719	269,345,121
2009	195,487,840	23,000,000	51,838,144	1,036,506	271,362,490
2010	275,001,523	23,000,000	51,830,300	871,947	350,703,770
2011	287,495,696	23,000,000	51,873,931	736,621	363,106,248
2012	277,424,964	23,000,000	51,925,950	736,621	353,087,535
2013	283,229,820	23,000,000	51,963,131	364,978	358,557,929
2014	277,782,701	23,000,000	51,981,594		352,764,295
2015	289,953,918	23,000,000	52,028,769		364,982,687
2016	282,721,456	23,000,000	51,996,831		357,718,287
2017	287,541,696	23,000,000	52,019,588		362,561,284
2018	282,718,111	23,000,000	52,069,113		357,787,224
2019	287,127,848	23,000,000	52,098,800		362,226,648
2020	310,481,277	23,000,000	30,635,500		364,116,777
2021	338,539,686	23,000,000	-		361,539,686
2022	336,825,069	23,000,000	-		359,825,069
2023	308,366,833	23,000,000	-		331,366,833
2024	330,009,604	23,000,000	-		353,009,604
2025	326,618,988	23,000,000	-		349,618,988
2026	323,861,772	23,000,000	-		346,861,772
2027	323,593,782	23,000,000	-		346,593,782
2028	294,011,387	23,000,000	-		317,011,387
2029	386,136,988	23,000,000	-		409,136,988
2030	324,103,523	23,000,000	-		347,103,523
2031	324,031,325	23,000,000	-		347,031,325
2032	306,819,183	23,000,000	-		329,819,183
2033	71,414,876	23,000,000			94,414,876
2034	47,157,196	23,000,000			70,157,196
2035	31,791,004	23,000,000			54,791,004
2036	18,344,828	23,000,000			41,344,828
	<u>\$ 7,808,750,924</u>	<u>\$ 690,000,000</u>	<u>\$ 705,827,751</u>	<u>\$ 6,154,152</u>	<u>\$ 9,210,732,827</u>