



# Finance Update

12/6/17

# CPS is a Stronger Institution, Financially and Academically



- **CPS is a different institution from just few years ago**
- **Financially, CPS has made significant improvements**
  - \$1.1 billion deficit eliminated
  - \$900M in new structural revenues
  - Created over \$425M in management efficiencies since July 2015
  - FY18 school budgets were held harmless for enrollment declines
  - \$68M of additional capital investments due to lower interest rates
  - Achieved an upgrade by all four rating agencies
    - One notch by Fitch and outlook improvements by other agencies
  - Eliminated all material weaknesses in the audit
- **Academically, CPS has made significant improvements**
  - CPS students are learning faster than any other school district in the country
  - 7 of the top 10 high schools in the State are CPS schools
  - 2 of the top 100 schools nationwide are CPS schools
  - Graduation rates, test scores and attendance are all at record highs



# A stronger CPS has resulted in lower interest rates

- **CPS marketed the bonds around this tremendous financial turnaround, including:**
  - CPS is in a stronger financial condition
  - \$1.1 billion deficit eliminated
  - 81% of the pension payment funded by new revenues, \$221M increase in State funds and a new pension levy
  - The new educational formula protects funding to low-income school districts across the State and creates more pension funding fairness for CPS
- **The market viewed CPS as a new credit as evidenced by the rates**
  - This bond had the lowest all-in rate of any deal since 2015
  - These bond have the largest investor participation since at least 2015

Investor Breakdown	Investors	Orders
Total Investors	64	\$7B
New Investors	31	\$1.6B
Previous Investors who Dramatically Increased their Holding Size	7	\$1.8B



# CPS Bond Results

- **Every major rating agency acknowledged the Board's financial turnaround**
  - Fitch upgraded the Board from B+ to BB- and upgraded the outlook to stable
  - Kroll upgraded the outlook to positive from negative
  - S&P upgraded the outlook to stable from negative
- **The financial markets gave CPS even more acknowledgement of our financial turnaround by buying our bonds**
  - All-in rate of **3.89%** for \$65M of CIT Bonds and **4.66%** for \$1.025B of GO Bonds
  - These rates were **40%** lower than recent rates on the prior issuances
- **The financing generated the following results:**
  - **\$318M for capital projects - \$68 million more than estimated**
    - \$136M FY18 approved capital plan, \$182M additional capital projects
  - **\$209M Refunding Savings - \$34 million more than estimated**
    - \$40M of FY18 refunding savings
- **The bond pricing was well timed**
  - Had CPS priced these bonds prior to SB1947, CPS debt service costs would have been **\$262M** more and bond proceeds would have been **\$193M** less

# Historical CPS Rates

