

# **Bond Case Briefs**

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## **Cash-Strapped Chicago Schools Pay Big Premium in \$150 Million Bond Deal.**

CHICAGO — Chicago's cash-starved public schools borrowed \$150 million to pay for capital projects in a privately placed deal with a yield of 7.25 percent, the nation's third largest school district announced on Friday.

The 30-year bonds were priced 513 basis points over Municipal Market Data's benchmark triple-A scale, indicating Chicago Public Schools continues to pay a big penalty to sell debt.

The system said the unlimited tax general obligation bonds that mature in December 2046 would not be used to balance CPS' budget.

J.P. Morgan purchased the bonds, which were sold under an existing authorization from CPS' school board.

"Today, CPS sold \$150 million in bonds for capital projects at a significantly more favorable interest rate than its last issuance," Ron DeNard, CPS' senior vice president of finance said in a prepared statement. "These bonds will fund critically needed capital work."

CPS' last bond sale for \$725 million in February represented one of the biggest "junk" bond offerings the municipal market has seen in years and carried an 8.5 percent interest rate.

That yield for bonds due in 2044 with a 7 percent coupon was slightly below the 8.727 yield for 21-year bonds in the municipal market's last big junk bond sale - a \$3.5 billion Puerto Rico issue in March 2014.

The district said it would make public a preliminary official statement on the deal announced on Friday by Sept. 2.

CPS faces a lingering \$300 million deficit for the fiscal year that began July 1. The system also may lose an additional \$215 million in state funding that was approved by Republican Governor Bruce Rauner and the Democratic-led state legislature in June on the condition a statewide pension-reform package pass by January.

There has been no tangible movement on a deal to reel in pensions for state government workers and retirees and teachers after a May 2015 Illinois Supreme Court ruling that invalidated a 2013 pension-cut law opposed by public-sector unions.

By REUTERS

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(Additional reporting by Karen Pierog; Editing by Bernard Orr)

