

# Detroit Public Schools

## HB 5052 Report from May 17, 2012 – October 16, 2012

### Debt Management (Loans sought, approved or disapproved with a cumulative value over \$5,000)

The Detroit District received authorization from Proposal S to issue \$500,540,000 bonds at the election on November 3, 2009 by the citizens of Detroit

On December 30, 2009, the District issued \$90,000,000 School Building and Site Bonds (Unlimited Tax General Obligation Bonds) Series 20009A (Qualified Construction Bonds) and \$200,000,000 School Building and Site Bonds (Unlimited Tax General Obligation Bonds) Series 2009B (Build America Bonds). Series 2009A has an interest rate of 3.19% with a tax credit rate of 6.06% and matures on May 1, 2025. Series 2009B interest rate varies from 4.94% - 7.74% and matures on May 1, 2039.

The School District issued \$160,910,000 School Building and Site Bonds (Unlimited Tax General Obligation) Series 2010A (Qualified Construction Bonds) and \$49,630,000 School Building and Site Bonds (Unlimited Tax General Obligation) Series 2010B (Build America Bonds) on October 28, 2010. Series 2010A has an interest rate of 6.645% and matures on November 1, 2029. Series 2010 has an interest rate of 6.845% and matures on May 1, 2040.

The purpose of the bonds is to defray costs of new construction, additions to existing buildings, remodeling, acquiring, improving, and developing sites and acquiring and installing instructional technology in the school buildings.

#### Issuance of Revenue Bonds (School District of the City of Detroit) Series 2011

The Michigan Finance authority issued Revenue Bonds Series 2011 in the amount of \$238,100,000 on October 13, 2011. The bonds are rated A+ by Standard & Poor's and will mature on June 1, 2021. The interest rate of the Bonds is 4.75% per annum. The Michigan Finance Authority then loaned Detroit Public Schools \$244,910,407. The bond has the same maturity date as Revenue Bonds Series 2011. State Aid revenue due to DPS is pledged to repay the bond. The payments will be intercepted from the State School Aid payments.

The purpose of the revenue bonds is to address the District's continuing deficit and to enter into a multi-year agreement with a lending institution to repay the District's obligation.

#### School Building and Site Improvement Refunding Bonds (School District of the city of Detroit) Series 2012A

The School Building and Site Improvement Refunding Bonds, Series 2012A were issued by the School District in the amount of \$337,735,000 on March 27, 2012. The bonds received credit ratings of Aa2 and AA- from Moody's and Standard & Poor's, respectively which is the same as the State of Michigan. The interest rate varies from 3.000% - 5.000% which matures on the same date as the prior debt service bonds which is June 30, 2033. The Bonds were issued for the purpose of refunding prior debt service which produced a present value savings of \$16.2 million. The Bonds will constitute general obligations of the School District and the principal and interest is payable from the

proceeds of an annual ad valorem tax which is levied on all taxable property located within the boundaries of the School District.

Revenue Bonds (School District of the city of Detroit) Series 2012

The Michigan Finance Authority issued Revenue Bonds Series 2012 in the amount of \$134,585,000 on May 17, 2012. The bonds are rated A+ by Standard & Poor's and will mature on June 1, 2020. The interest rate of the Bonds varies from 2.000% - 5.000%. The Michigan Finance Authority then loaned Detroit Public Schools \$141,095,000. The bond has the same maturity date as Revenue Bonds Series 2012. The proceeds of the Bonds together with other funds of the District will be used to pay or redeem Michigan Municipal Bond Authority Series B Revenue Bonds which were issued to refinance the \$210,000,000 State School State Aid Note purchased by the Authority on August 20, 2004. State Aid revenue due to DPS is pledged to repay the bond. The payments will be intercepted from the State School Aid payments.

Issuance of Series 2012-A State Aid Revenue Notes

The Michigan Finance Authority issued State Aid Revenue Notes Series 2012-A in the amount of \$6.0 million on September 10, 2012. The notes will mature on January 21, 2012. During the period from September 10, 2012 – September 19, 2012, the notes shall bear interest at a rate equal to 1.62% per annum. After this time the note shall bear interest at a per annum rate equal to a fluctuating rate equal to the sum of the LIBOR RATE as adjusted on each interest payment date and the applicable spread but in no instance more than 14% per annum. State Aid revenue due to DPS is pledged to repay the loan. The amounts necessary to retire the loan will be withheld from DPS's State Aid revenue in the months of October 2012 to January 2013. The purpose of this loan was to advance to the Education Achievement Authority \$5.9 million for public educational service by October 31, 2012.