



THE SCHOOL DISTRICT OF  
PHILADELPHIA

# FY22 Capital Borrowing

## October 7, 2021



# Long-Term Debt

- The School District borrows funds for long-term capital investments (buildings, large technical infrastructure, school buses, etc)
- Annual Debt Service during the District's Five-Year Plan averages \$352 million
  - Five Year Plan assumes a borrowing every other year
  - Averages about 8.8% of expenditures
  - The District's goal is to budget annual debt service equaling no more than 10 percent of expenditures
- Borrowing limits are constrained by:
  - State Statutory Debt Limits
  - Market capacity
  - IRS requirements relating to tax exempt bonds for spending within 3-year time frame
- In 2019, the School District received an investment grade credit rating from Moody's for the first time since 1977, which has subsequently been reaffirmed each year.
- The School District completed a \$530 million borrowing in fall 2019.
- As of September 30, 2021, the District had available Capital funds of \$153.9 million





**Rating Action: Moody's assigns Baa3 rating to Philadelphia Sch Dist, PA's \$349 million GO Bonds Ser A, B, and C of 2019; \$126 million GO Ref Bonds, Ser of 2020; \$188 million School Lease Rev Ref Bonds, Ser 2019; Outlook stable**

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02 Oct 2019

**Moody's affirms approximately \$2.8 billion of Philadelphia School District, PA's GOULT and Lease ratings at Baa3**

New York, October 02, 2019 – Moody's Investors Service has assigned a Baa3 rating to Philadelphia School District, PA's \$300 million General Obligation Bonds, Series A of 2019, \$24.965 million Series B of 2019 (Green Bonds), and \$24.445 million General Obligation Refunding Bonds, Series C of 2019. Also, we have assigned a Baa3 rating to the district's \$125.865 million General Obligation Refunding Bonds, Series 2020 (Forward Delivery) and the district's \$187.77 million School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series of 2019 (Federally Taxable). Concurrently, we have affirmed the Baa3 ratings on approximately \$1.88 billion of parity General Obligation debt and \$948 million of Lease debt outstanding. The outlook is stable.

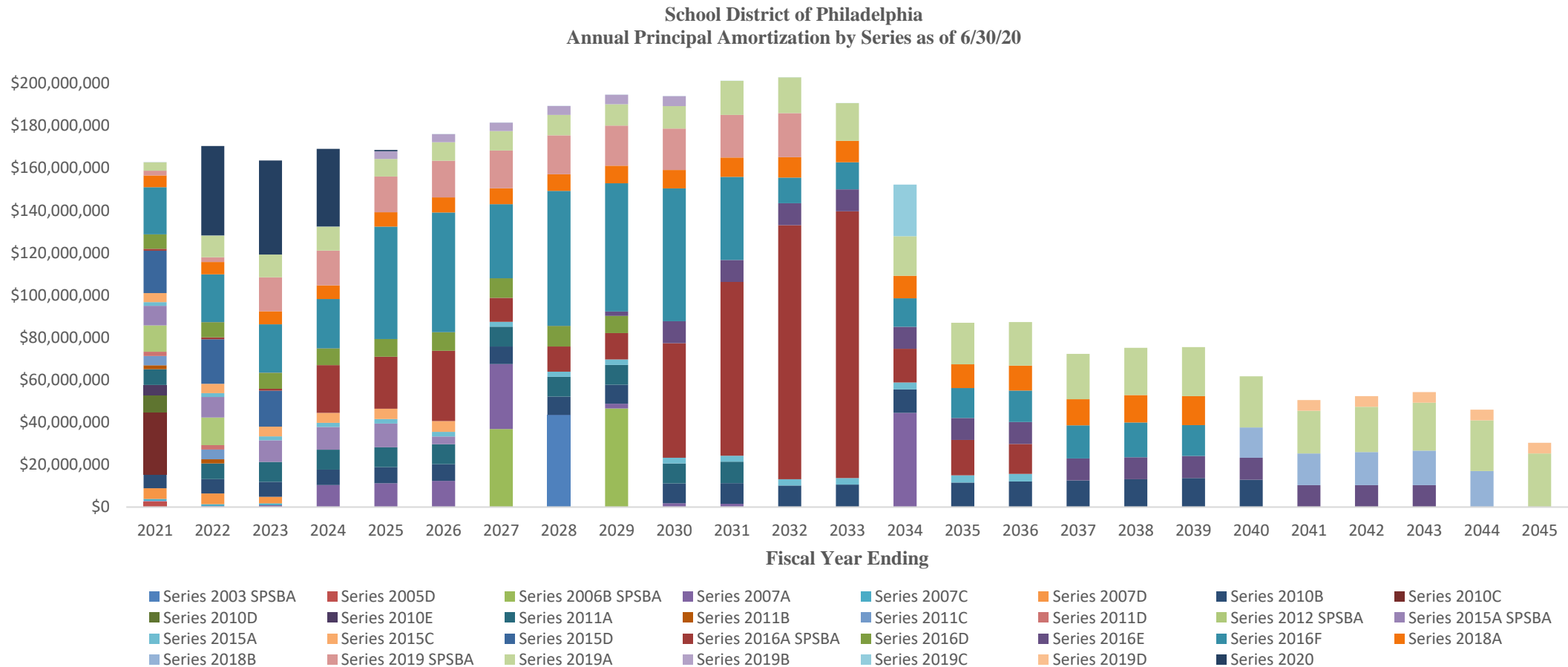
All of the aforementioned Series of 2019 and Series 2020 bonds have been assigned an A2 enhanced rating.

#### RATINGS RATIONALE

The district's Baa3 GOULT and Lease bond ratings reflects the district's satisfactory current financial position, with an expected (cash-based) fund balance of 6.7% of revenue at fiscal year end 2019. This is a considerable improvement over prior years' performance, and we anticipate some stability in the district's finances going forward. The Baa3 rating also reflects the district's strong management team, which has demonstrated a detailed understanding of charter pressures, a collaborative approach to planning around charter enrollment and its impact on demographics and district school costs, and also a highly effective governance of the district's finances and budgeting. The Baa3 rating incorporates the district's deeper ties of shared governance with the city of Philadelphia (A2 stable), and a resultant operating environment that is more supportive of the district since the reinstatement of a mayorally appointed board in 2018. Lastly, the Baa3 rating also

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The current total outstanding principal of debt is \$2.9 billion.



# FY2022 Transaction

- The School District plans to issue approximately \$312 million principal amount of Tax-Exempt Bonds which, because the bonds will be paid at a premium, will result in \$375 million for the District's Capital Program
  - \$315 million in General Obligation Debt for Capital Program
  - \$60 million in Green Bonds for Energy Improvement (GESA) projects
- The transaction had a total interest cost of 2.694%. The yield benefited from the School District's Investment Grade Bond Rating and the low interest environment.
  - In 2019, the District's total interest cost was 3.086%
  - In 2018, the District's total interest cost was 3.968%
- Relative to the market, School District Bonds priced at 41 basis points relative to MMD (and assuming all 5% coupons), as compared to 59 basis points in 2019 and 125 basis points in 2016.
- The School District utilized an experienced and diverse underwriter's team, led by Senior Manager Siebert Williams Shank, with co-managers: Amerivet Securities, Barclays, Bank of America Securities, PNC Capital Markets, Ramirez & Co, and RBC Capital Markets