

The Board should not finance general operating costs from debt having maturities greater than

one year. General operating costs include, but may not be limited to, those items normally funded

in the Board's annual operating budget and having a useful life of less than one year. However,

C. Use of tax-exempt bond proceeds:

In order for bonds issued by CPS to maintain tax-exempt status, several requirements must be satisfied from and after the date of issuance of the bonds. Among other things, these include

requirements related to the use of proceeds of the bonds. The use of tax-exempt financed proceeds is governed by the Internal Revenue Code of 1986, as amended (the "Code").

The bonds are issued to (i) pay costs of constructing, acquiring and equipping school and

administrative buildings, site improvements and other real and personal property in and for the

exempt financing.

III Debt Issuance Methodology

A Establishing Financial Priorities

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~~g) Debt Buyer Measures.~~ The Board will consider the impact of the issuance of

~~additional debt on the following measures as suggested against debt burden~~

5. Risks and considerations associated with Variable Rate Debt:

a) **Risk/Benefit Analysis.** The impact of variable rate debt on the Board's future

~~debt service and budgetary obligations must be quantified and a risk mitigation~~

factors identified or increased financial benefits such as interest cost savings or

~~improved proceeds established to compensate for the risks identified below~~

- c) **Counterparty Risk.** The success of the derivative transaction depends on the other party fulfilling its obligations. To the extent that the counterparty does not meet its obligations, the Board could be exposed to additional costs in the future. This risk may be mitigated by collateral requirements, Triple-A rated counterparties, strong downgrade provisions, and rights to assign the agreement

The Board should diversify its exposure to counterparties.

- d) **Interest Rate Risk.** Interest rate movements over time could adversely affect

the market value of derivative instruments. The market valuation at any point in

Structures which increase savings through alternatives such as derivative contracts, non-~~standard self insuring~~, and investments other than Treasury Securities shall be evaluated by

identifying additional risks, quantifying potential costs, and either identifying mitigating factors or increasing established savings targets to compensate the Board for taking additional risk.

F. Financial Advisors

The Board should employ ~~Financial Advisors~~ financial advisors when practicable to assist in managing the Board's debt portfolio, evaluating and executing transactions, monitoring and

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issued for public purposes in a manner that is consistent with Illinois statutes governing the

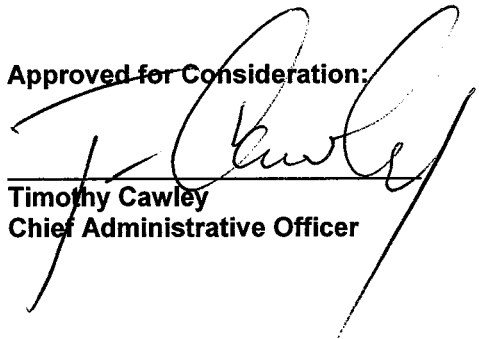
_____ shall comply with the following requirements: The CAFR shall include the following information:

information such that disclosure requirements may be met through filing the CAFR with the appropriate parties, to the extent practicable.

C. Federal Arbitration Requirements

The Board shall comply with Federal arbitration requirements, including making rebates and yield

Approved for Consideration:



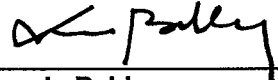
Timothy Cawley
Chief Administrative Officer

Respectfully Submitted:



Barbara Byrd-Bennett
Chief Executive Officer

Approved as to Legal Form: 



James L. Bebley
General Counsel