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Emanuel Said to Plan Property-Tax Boost for Chicago Pensions.

Chicago Mayor Rahm Emanuel is preparing to press for a property-tax increase of about \$500 million to shore up police and firefighter pensions that threaten the city's solvency, the Chicago Tribune reported.

The proposal will be part of Emanuel's Sept. 22 spending plan for the budget year beginning Jan. 1, the newspaper reported. The increase, expected for months, would be the centerpiece of a budget that is \$426 million out of balance.

When asked how difficult it will be to raise real-estate levies, Emanuel expressed confidence on Thursday that such an increase specifically to fund public-safety workers' pensions would pass the city council.

"We're going to do it in a fair and progressive way," Emanuel told reporters. "If you're asking me, do I believe we'll get it done, the short answer is yes because I actually believe aldermen are up to the task of charting a new course for Chicago's future."

Chicago needs to pay down a \$20 billion debt to its retirement funds that's left it with a lower credit rating than any big U.S. city except Detroit, which went through a record bankruptcy.

"It serves as a clear demonstration of Chicago's willingness to make the difficult but necessary decisions," Ty Schoback, a senior analyst in Minneapolis at Columbia Threadneedle Investments, said in an e-mail. The company manages about \$30 billion in municipal bonds, including some Chicago debt.

Reckoning Day

The city faces a reckoning after years of failing to save enough to pay the benefits it promised employees. Over the past decade, Chicago has put \$7.3 billion less into the pension funds than actuaries recommended. Its next annual pension payment is projected to jump 10 percent, to \$976 million.

Chicago's effort to reduce its liabilities hit an obstacle in July, when a judge ruled the benefits cuts it sought were illegal. The city will appeal to the Illinois Supreme Court, which in May threw out a pension overhaul adopted by the state, saying workers' pensions are protected.

The challenges and subsequent credit downgrades have spurred a drop in the price of Chicago bonds. A portion of \$44.9 million of federally tax-exempt securities maturing in 2033 traded Thursday at an average of 91.8 cents on the dollar. That's down from \$1.01 when it was first offered in 2014. The yield averaged 6 percent Thursday, 3.2 percentage points more than benchmark debt.

Bloomberg News

by Tim Jones and Elizabeth Campbell

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