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Chicago City Council Passes Tax for Pensions, Airport Bonds.

CHICAGO — The last piece of Chicago's pension funding puzzle fell into place on Wednesday with final approval of a tax on water and sewer usage to save the largest of the city's four retirement systems from going broke.

The tax, passed in a 40-10 city council vote, is projected to raise an estimated \$240 million a year once it is fully phased in over five years, helping Chicago gradually increase contributions to its municipal retirement system, which is projected to run out of cash within 10 years.

"Your acts today changed the course of the city's finances from insolvency to solvency," Mayor Rahm Emanuel said, praising aldermen for their "collective courage."

Credit ratings for the nation's third-largest city have tumbled into the low investment grade to junk levels due largely to an unfunded pension liability that stood at \$33.8 billion at the end of fiscal 2015 for the four retirement systems.

Chicago has already authorized a phased-in \$543 million property tax for its police and fire retirement systems and a telephone surcharge increase for its laborers' pension fund.

For the municipal fund, an actuarially required funding level would be reached in 2023, when the payment would spike to nearly \$879 million from \$577 million in 2022, according to city documents. The aim of the plan is to bring the retirement system's funded level to 90 percent in 2057.

Some aldermen have raised concerns that even with the new tax revenue, the city will be short \$300 million in 2023.

The city's next step involves the Illinois Legislature, which will be asked in November to approve the new funding schedule for the municipal system, as well as one for the laborers' fund.

The Democratic-controlled legislature in May overrode Governor Bruce Rauner's veto of a new funding schedule for Chicago's police and fire retirement systems.

In a 26-21 vote on Wednesday, the city council authorized the sale of up to \$3.5 billion of bonds for O'Hare International Airport.

The city will refund up to \$1.5 billion of general airport revenue bonds (GARBs) through Bank of America Merrill Lynch to save an estimated \$187.2 million, according to a city briefing document. Another batch of GARBs worth as much as \$1.5 billion will be sold through Morgan Stanley to fund a runway and air field improvements.

Loop Capital Markets will price up to \$500 million of new and refunded passenger facility charge (PFC) bonds.

By REUTERS

SEPT. 14, 2016, 2:48 P.M. E.D.T.

(Reporting by Karen Pierog; Editing by Matthew Lewis)

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