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Hounded by Woes, Chicago Sees Musk's Train as Win for Its Economy.

- **Boring Co. lands bid to build multibillion high-speed train**
- **Musk's investment shows "faith" in city economy, analyst says**

Chicago, slammed by rating agencies for its fiscal woes, President Donald Trump for its violence and even its own governor for the school system's debts, is getting a boost from visionary Elon Musk.

Mayor Rahm Emanuel and Musk, the billionaire chief executive officer of electric carmaker Tesla Inc., Thursday officially unveiled the plans for a high-speed train service that will make the approximately 15-mile (24-kilometer) trip from downtown Chicago to O'Hare International Airport in 12 minutes, a fraction of the current commute.

That Musk's Boring Co. emerged as the winning bidder is a coup for the 18-month-old company, whose futuristic ideas have yet to be proven. But Chicago bondholders are also voicing cautious optimism that the project — which will use electric vehicles to transport passengers through new underground tunnels — is an economic win for the nation's third-largest city. Chicago said it won't require any public funds.

"It's very good news that a company like the Boring Co. would be considering a major investment in Chicago-area infrastructure," said Paul Mansour, head of municipal research at Conning, which oversees about $9 billion of state and local debt, including Chicago bonds. "It shows faith in the future of the Chicago-area economy."

Chicago's public transit has long been a talking point for Emanuel when touting the city's virtues. Musk's investment also coincides with Emanuel's courtship of Amazon.com Inc., which placed Chicago on the list of 20 cities that may be home to its second headquarters. Chicago is also embarking on the largest terminal expansion plan in O'Hare's history, a long overdue revamp of what once was the world's busiest airport.

"Bringing Chicago's economic engines closer together will keep the city on the cutting edge of progress, create thousands of good-paying jobs and strengthen our great city for future generations," Emanuel said in an emailed statement. "This transformative project will help Chicago write the next chapter in our legacy of innovation and invention."

More than 50 companies have relocated their headquarters to Chicago under Emanuel's tenure, according to World Business Chicago. Emanuel took office in 2011 and is up for re-election next year.

"Chicago's competitive edge is unbelievable,'' Emanuel said during a press conference on Thursday with Musk, touting the city's transportation system, universities, and workforce. "This will add to it and give us a cutting edge and helps us maintain and build the commanding world-class economy we have.''

The investment is also significant given the fiscal strains facing Chicago and Illinois. The city had $35.8 billion of unfunded pension liabilities by the end of 2016, and the state's retirement systems were short $137 billion, as of June 30, raising the risk of tax increases down the road. Those pension liabilities caused Moody's Investors Service to cut Chicago's rating to junk in 2015, making it the only major city outside of Detroit without an investment-grade rating.

Speaking to reporters, Emanuel praised the tremendous opportunity the investment will bring to the city, emphasizing that Boring is bearing all of the cost.

"He's bearing the cost," Emanuel told reporters. "We get the upside with no financial risk at all."

Even if it wanted to, Chicago couldn't afford to be too big of a contributor to the kind of project envisioned by Musk, according to Richard Ciccarone, president of Merritt Research Services LLC, which analyzes municipal finance. Emanuel has already hiked property, sewer and water taxes to cover rising pension payments.

"We've used up so much of our taxing and debt capabilities," Ciccarone said in a telephone interview. "For us, we've got to do whatever we can to extract help from the private sector."

Chicago will start one-on-one contract negotiations with Boring, according to the city. Once an agreement is reached, the city council would need to approve it.

"it's very preliminary," said Dennis Derby, a portfolio manager at Wells Fargo Asset Management, which holds $39 billion of municipal debt, including Chicago bonds, "but it should help the economic and transportation infrastructure of the city."

Bloomberg

By Elizabeth Campbell

June 14, 2018, 10:24 AM PDT Updated on June 14, 2018, 2:32 PM PDT

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