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Emanuel Defends $10 billion Pension Bond Plan.

Mayor Rahm Emanuel on Wednesday offered a spirited defense of his controversial plan to sell more than $10 billion in pension obligation bonds to minimize the need for another punishing round of post-election tax increases, even as he insisted that a final decision has not yet been made.

Mayoral challenger Paul Vallas has urged the City Council to stop that train from leaving the station to avoid putting Chicago taxpayers in what he called a "financial straightjacket."

Former Police Board President Lori Lightfoot, who's also running for mayor, has likewise demanded that Emanuel "slow down the process and open it to public scrutiny." She wants a detailed plan subject to an independent analysis, followed by "multiple public hearings" and "substantive debate."

On Wednesday, Emanuel made his first public comment about the massive borrowing that has municipal finance experts waving red flags.

"I've asked my staff to explore all options to achieve the goals of retirement security without overburdening our taxpayers. It would be equally reckless not to explore options … to avoid a significant tax increase when you can minimize that and shore up peoples' pensions. If we didn't do that, we wouldn't be doing our jobs," Emanuel said.

"So I've asked everybody to explore all available options and think creatively out of the box. One of the things I won't do is kick the can down the road."

Vallas has argued that kicking the can is precisely what Emanuel is doing.

It allows the mayor to wait until after the election to spell out which taxes he intends to raise when the five-year ramp to actuarial funding will end and taxpayers will be on the hook to keep city employee pension funds on the road to 90 percent funding.

By 2023, the city's contribution to all four funds will nearly double — from $1.2 billion this year to $2.1 billion, according to the city's annual financial analysis.

Asked Wednesday about Vallas' claim, Emanuel fell back on the same argument that prompted the long-simmering tensions between Emanuel and Mayor Richard M. Daley to boil over last spring. At the time, William Daley demanded that Emanuel "put on his big-boy pants" and stop blaming his older brother for the $2 billion avalanche of tax increases imposed, just to begin to solve Chicago's $28 billion pension crisis.

"I didn't create this problem. That's all I've got to say. I'm here in asking the public and trying to figure out, how do you ensure people's retirement, which was not done before. And how do we ensure that we don't let the cost explode to taxpayers," the mayor said.

"I think it's a responsible thing because we've had a lot of irresponsible decisions made. The responsible thing is to explore options that achieve both goals."

After joining the mayor at a ribbon-cutting ceremony for the new Chicago Architecture Center, Ald. Brendan Reilly (42nd), vice-chairman of the City Council's Budget Committee, said he, too, has "reservations" about the pension borrowing that would dwarf the city budget.

"Versions of this idea have not gone well in other municipalities. That's why the details of this proposal are so important," Reilly said.

"If this is truly a different type of deal than other cities have done, then we need to see that on paper and understand the numbers and how those work. The last thing we want to do is saddle taxpayers with even more liabilities on the back end of this deal."

Emanuel points with pride to having identified dedicated funding sources for all four city employee pension funds. But Chicago taxpayers have paid a heavy price.

They have already endured a parade of property tax increases for police, fire and teacher pensions; two increases in the monthly tax tacked on to telephone bills; and a 29.5 percent surcharge on water and sewer bills.

If Emanuel decides to forge ahead, the city would take a portion of its $28 billion in pension debt and finance it at an interest rate considerably lower than the 7-to-7.5 percent annual rate of return assumed by the four city employee pension funds.

Last week, Chief Financial Officer Carole Brown told aldermen the city may sell even more than $10 billion in pension obligation bonds if there's enough available city revenue to support it. Brown has not explained what the city's fallback would be if the market tanks.

She promised a final decision on whether to proceed by early September.

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