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Chicago Passes $11.65 Billion Budget as 2021 Concerns Loom.

- **City closes $838 million hole with debt refinancing, new fees**
- **Budget contains 'no significant' property tax hikes: Lightfoot**

The Chicago City Council approved Mayor Lori Lightfoot's $11.65 billion budget for 2020 that raises fees on ridesharing services, refinances more than $1 billion of debt and merges departments to fill the biggest shortfall in recent history.

Lightfoot is closing an $838 million budget deficit. The spending plan's reliance on some one-time moves, like debt restructuring, raised questions about how she will plug future shortfalls as pension costs are projected to rise.

"The 2020 budget is a progressive blueprint for the future," Lightfoot said at City Hall after the vote on Tuesday. "We first look inwards and not to the taxpayers."

Chicago is struggling with rising costs and a shrinking population that has already been hit with higher property taxes and other increased levies in recent years. The city's four pension plans are short about $30 billion, and the city's mandated pension contributions are poised to ramp up. Chicago's annual projected pension contribution climbs to $1.68 billion in 2020 and tops $2 billion by 2022, city documents show.

Lightfoot said that the 2020 spending plan has "no significant" property tax increases.

"Overall, this seems to be a reasonable plan to move the city forward," said Laurence Msall, president of the Civic Federation, which analyzes government budgets. "It's a budget that reflects the challenges of these times."

The 2020 spending plan includes about $40 million more revenue from higher fees on ride hailing services, particularly from single riders in downtown, a move that Uber Technologies Inc. has pushed back against. Next year's budget counts on $210 million in savings from refinancing more than $1 billion in debt.

The city is taking all those savings in one year, rather than spreading it out over several years. This planned refunding that seeks to "realize disproportionate savings in the short-run" is "an unsustainable budgetary practice that should be avoided," Matt Fabian, partner at Municipal Market Analytics, said in an emailed report.

Fabian also warned that Chicago's task of balancing budgets in upcoming years, including 2021, may pose challenges.

"A failure to raise taxes now, while the local economy is reasonably strong, raises the risk of an eventual hike being proposed when growth is weaker or even negative: a very hard environment to present recurring budget solutions," Fabian said in his report.

Lightfoot had to balance her budget more with cost cuts after she was unable to gain Illinois legislative support for a graduated real estate transfer tax, which was projected to yield about $50 million.

She lobbied lawmakers during the six-day legislative veto session in October and November to approve such a tax as well as lower the tax structure on a proposed Chicago casino to increase its appeal for potential operators. Neither initiative got approval. The mayor and city officials may advocate for both measures next year as Chicago needs to find more revenue to pay its future bills.

Bloomberg Markets

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November 26, 2019, 11:07 AM PST Updated on November 26, 2019, 11:35 AM PST