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Chicago Public Schools Prepare Budget With Eye on Bond Market Return.

CHICAGO — Chicago's cash-strapped public schools will be able to raise cash in the capital markets after the nation's third-largest public school system unveils a balanced budget in August, the district's top official said on Wednesday.

Forrest Claypool, Chief Executive Officer of Chicago Public School (CPS) was short on details to achieving a balanced budget but said the full spending plan would be out next month.

CPS, which must erase a lingering \$300 million deficit for the fiscal year that began July 1, also faces the possibility that a \$215 million boost in Illinois funding for teacher pensions may not happen.

Claypool announced the baseline per pupil would be \$4,087, matching the level in place since February after a round of spending cuts.

"One of the reasons it was so important to balance the budget was to make it clear to the credit markets we are worth the credit risk," Claypool told reporters.

He said CPS would use proceeds from bond sales to repair and improve its facilities, but not for operating expenses. Claypool also said CPS could use a new \$45 million property tax increase approved by the Chicago City Council in October to help pay off the debt. The "junk"-rated district paid a huge penalty for its last sale in the U.S. municipal bond market in February when investors demanded an 8.5 percent rate on most of the tax-exempt bonds.

The district will continue to rely on a bank line of credit for cash-flow purposes, according to Claypool, who said he was confident CPS will be able to renew for fiscal 2017 the \$870 million credit line it fully tapped in late June for its pension payment.

The Illinois Legislature last month agreed to let CPS hike property taxes by \$250 million and give the district a one-time \$215 million state contribution exclusively for pensions. But enactment of the latter is contingent on the passage of major statewide pension reform, which was made increasingly difficult by recent Illinois Supreme Court rulings blocking retirement benefits cuts for public sector workers.

Another unknown for CPS is ongoing negotiations for a new teachers' contract. Claypool said it was time for teachers to be part of the solution for balancing the district's budget, but declined to discuss specifics.

The Chicago Teachers Union Vice President Jesse Sharkey said in a statement that CPS is relying on a short-term fix from the state instead of "sustainable, progressive revenue" to keep operating.

By REUTERS

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(Reporting by Karen Pierog; Editing by Diane Craft)

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