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Emanuel Vows to Confront Pension Crisis 'Before the End Of the Year'

Mayor Rahm Emanuel vowed Friday to confront Chicago's skyrocketing pension payments "before the end of the year," but he refused to say whether the solution he seeks will include \$10 billion in pension borrowing.

"I've never been patient. I have a sense of urgency to get work done. And I have a moral commitment—both to the public and to my successor—to leave the city better off and in a stronger position than the day I walked in," the mayor said.

"We've always confronted challenges regardless of political risk . . . I'm a mayor for all eight years, not 7 1/2 . . . I'm gonna deal, first with the budget. I will, before the end of the year, address the issue of pensions."

Under repeated questioning by the Chicago Sun-Times, Emanuel refused to say whether he would revisit the \$10 billion borrowing, even though the potential savings has been diminished by rising interest rates.

Nor would he say whether there is a viable alternative that would minimize the need for another punishing round of post-election tax increases.

"I'm gonna address the issue of pensions, and you'll just have to wait for that," he said, playing it coy.

Emanuel's lame-duck status has emboldened aldermen who have taken a series of tough votes, just to begin to solve Chicago's \$28 billion pension crisis.

Chicago taxpayers 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.

It's not at all clear whether Emanuel still has the juice to push the pension borrowing through the City Council.

Even his own Chief Financial Officer Carole Brown acknowledged this week that, "Your political capital changes when you're not running for re-election."

But during Friday's interview, Emanuel bristled at the suggestion that his lame-duck status has diminished his ability to finish the job he started.

"The first test [after he announced he wasn't running] was a vote I had on e-cigarettes. And we passed it in 24 hours overwhelmingly," the mayor said.

"I believe this budget will pass. We've never not passed a budget obviously. And never had to

struggle. In 7 1/2 years, never lost a vote. So, I don't buy that" claim that his political capital has diminished.

In late August, Emanuel offered a spirited defense of the pension borrowing plan — even after mayoral candidate Paul Vallas warned that it would put beleaguered Chicago taxpayers in a "financial straightjacket."

The mayor initially planned to rush the borrowing through the City Council in September — before introducing his final city budget.

That timetable was dramatically altered on Sept. 4. That's when Emanuel touched off the political equivalent of an earthquake by choosing political retirement over the uphill battle for a third-term.

After that, the budget became the primary focus because, as Brown put it, "We know we have a finite amount of time."

Brown said this week she still believes the \$10 billion borrowing makes "financial sense if we can achieve the right rate."

"Whether or not we do this, the next administration will be faced with how to pay more than \$277 million in pension payments next year. It's what they're gonna be looking at when they do their 2020 budget," she said.

"If we can come up with a financially sound way to stabilize our pension funds while we still make contributions, but make those contributions more manageable over time and lower the cost of funding our pensions, I don't know why we wouldn't consider it. Which is why the mayor is still considering it."

But if interest rates continue to rise, Emanuel may be forced to shelve the borrowing and find another way.

"If it doesn't cost us money in the long run, we should do whatever we can that's fiscally responsible to avoid the big hit . . . But with interest rates rising, I don't know how feasible it will be," Ald. Joe Moore (49th) said earlier this week.

After a five-year ramp to actuarial funding ends, Chicago 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.

The \$10 billion pension borrowing was tailor-made to soften the post-election blow.

But municipal finance experts have raised concerns, pointing to pension-bond defaults in Detroit, California and Puerto Rico.

They wonder what would happen if the market tanks and what specific city revenue would be used to back the bonds, now that Emanuel has isolated sales tax revenue in a special fund and used that "securitization" structure to refinance \$3 billion in city debt.

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