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Chicago Mayor Skips Over Pension Funding Fix in Final Budget Speech.

CHICAGO — Chicago Mayor Rahm Emanuel unveiled the final budget of his tenure on Wednesday, but put off addressing a pension funding challenge that will hit during his eventual successor's term in office.

Emanuel, who announced last month he was not running for a third term, laid out a \$10.67 billion all-funds spending plan, which includes a \$3.82 billion operating budget, for the fiscal year that begins on Jan. 1.

Much of the mayor's budget address to the 50-member city council focused on his administration's accomplishments over the last seven years, including raising fees and taxes to save the city's four pension funds from becoming insolvent and shrinking a chronic budget deficit.

"One thing I have learned is that they do not build statues for people who restore fiscal stability," he said in prepared remarks. "But without sound, strong, stable finances, nothing else is possible."

The nation's third-largest city faces pension contributions that will grow to \$2.13 billion in 2023 from \$1.02 billion this year. Plans to seek council approval for as much as \$10 billion in pension debt have been delayed in the wake of Emanuel's lame-duck status and rising interest rates.

Chicago's unfunded pension liability was \$28 billion in 2017, down from \$35.7 billion in the prior year. The big liability, along with years of budget deficits, led to downgrades of Chicago's general obligation credit ratings and higher borrowing costs.

Carole Brown, Chicago's chief financial officer, told reporters that a pension borrowing would not constitute a complete solution and that Emanuel intends to have a comprehensive discussion on addressing the problem by year-end.

Laurence Msall, president of the Chicago-based Civic Federation, a government finance watchdog group, said besides pensions, the city is also dealing with rising operating costs and modest revenue growth, which city officials pegged at just over 2 percent for the fiscal 2019 budget.

"There will need to be additional structural changes," Msall said.

Emanuel's budget includes \$25.7 million to fund a proposed consent decree mandating changes in police practices. It also incorporates a new contract with the American Federation of State, County and Municipal Employees, but not with police and fire unions, whose contracts expired in 2017, according to city officials.

The spending plan, which eschews new hikes in taxes and fees, eliminates a projected \$98 million deficit through various measures, including savings from refinancing the city's GO bonds with a higher-rated securitization of sales tax revenue.

By Reuters

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(Reporting by Karen Pierog in Chicago; Editing by Matthew Lewis)

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