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CONTACT:
Mayor's Press Office
312.744.3334
press@cityofchicago.org

MAYOR EMANUEL INTRODUCES SECURITIZATION STRUCTURE DESIGNED TO SAVE MILLIONS IN DEBT SERVICE COSTS EACH YEAR

Mayor Rahm Emanuel today introduced an ordinance to create a securitization structure for the City of Chicago, which is expected to achieve higher credit ratings and reduce debt service costs for taxpayers. This revenue securitization structure builds on the Mayor's commitment to address the City's legacy liabilities, eliminate unsustainable financial practices of the past, and improve the City's long-term financial health.

"The revenue securitization measure presented today provides an important opportunity for the City and the financial security of our taxpayers," Mayor Emanuel said. "Through this financing tool, we are expecting to achieve lower debt service costs for taxpayers and improve the City's long-term fiscal health."

The proposed revenue securitization structure was developed as a result of legislation passed by the General Assembly as part of their 2018 budget, allowing all home rule municipalities to create a separate and distinct special purpose corporation organized for the sole purpose of issuing bonds that paid for from City revenues collected by the State. Since the corporation is separate from the municipalities, the City expects the bonds issued by the corporation are expected to obtain a higher rating from the rating agencies and thus a lower interest rate than comparable revenue bonds issued by the municipalities themselves.

The ordinance introduced today will authorize the City to form a separate corporation for the sole purpose of issuing bonds approved by the Chicago City Council. The City will pledge specific revenue to the new corporation, and the corporation will issue debt for the City using these revenues as its repayment sources. To oversee the Corporation, the ordinance also provides for a five-member Board of Directors comprised of City financial officials and members of City Council.

In addition to establishing the Corporation and its Board of Directors, the proposed ordinance seeks authorization to issue up to approximately $3 billion in Refunding Bonds. Bonds issued by the Corporation will be used to refinance higher coupon advance refundable, callable General Obligation and Sales Tax Revenue bonds over the next couple years. To pay for this debt refinancing, sales tax revenues received from the State will be assigned to the Corporation. The Corporation could issue the first series of refunding bonds as early as late October. This refinancing is expected to save the City millions of dollars per year in debt service costs and help alleviate the City's GO debt burden. Over the long term, it is expected to result in rating upgrades for the City's GO credit.

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