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CITY OF CHICAGO

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CITY COUNCIL APPROVES REVENUE SECURITIZATION STRUCTURE PAVING THE WAY FOR THE CITY TO SAVE MILLIONS IN DEBT SERVICE COSTS EACH YEAR

City Council today approved 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 Mayor Rahm Emanuel'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 approved today provides an important opportunity for the City and the financial security of our taxpayers," said Mayor Emanuel. "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 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 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 will obtain a higher rating from the rating agencies and thus a lower interest rate than comparable bonds issued by the municipalities themselves.

With the passage of the ordinance today, City Council authorized the formation of a separate corporation for the sole purpose of issuing bonds. The City plans to pledge specific revenue to the new Corporation, and the Corporation will issue debt for the City using these revenues as its repayment sources. A five-member Board of Directors comprised of City financial officials and members of City Council will oversee the Corporation.

In addition to establishing the Corporation and its Board of Directors, the ordinance authorizes the issuance of up to $3 billion in Refunding Bonds. With this authorization, the Corporation plans to refund the City's existing Sales Tax Revenue Bonds and to refinance higher coupon advance refundable, callable General Obligation 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 intends to issue the first series of refunding bonds later this year. 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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