



CITY OF CHICAGO • OFFICE OF THE MAYOR



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**CONTACT**

Mayor's Press Office

312.744.3334

[press@cityofchicago.org](mailto:press@cityofchicago.org)

**MAYOR BRANDON JOHNSON AND THE CITY OF CHICAGO ANNOUNCE \$1.5 BILLION REFINANCING PLAN TO ACHIEVE \$110 MILLION IN DEBT SAVINGS**

*Refinancing of General Obligation and STSC Bonds to Lower Interest Rates and Support Long-Term Fiscal Responsibility*

**CHICAGO** – The Finance Committee recently approved an ordinance granting the City of Chicago authorization to issue \$1.5 billion in General Obligation (GO) bonds and for the Sales Tax Securitization Corporation (STSC) to issue STSC bonds to refinance or tender certain outstanding City GO bonds and STSC bonds. The combined refinancing and tender are expected to generate approximately \$110 million in present value savings based on current market conditions. The STSC was created in 2017 and has higher bond ratings than the City's GO bonds. The primary purpose of STSC bonds is to refinance GO bonds, and further lower the City's debt service costs.

The \$1.5 billion GO/STSC ordinance to be considered by the City Council on Wednesday, October 9, 2024, adheres to best practices of responsible debt management. The ordinance specifically stipulates that the entire \$1.5 billion amount can only be used for cost-saving refinancing purposes. Any other use of bond proceeds would require an amendment passed by City Council. The bond proceeds cannot be used for operating costs. The authorization allows for up to \$1.5 billion of bonds, but the City will not issue the full amount unless the transaction provides debt service savings.

“The City of Chicago is committed to finding innovative and responsible ways to meet our financial challenges while prioritizing the long-term stability of our budget,” **Mayor Brandon Johnson said**. “This refinancing plan represents another important step in creating a stronger financial foundation for our city—one that benefits all Chicagoans.”

Much like a homeowner refinancing a mortgage, the City will issue new bonds at lower interest rates to replace higher-interest bonds that are currently outstanding in order to achieve cost savings. On January 1, 2025, \$850 million of the City's GO bonds will be callable (i.e.: eligible to be refinanced through a call action). In addition, the City plans to use a tender process to purchase approximately \$500 million of GO and STSC bonds and refinance those bonds for savings. Under this plan of finance, outstanding debt that



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carries an average interest rate of 5.62 percent will be replaced with new debt with a much lower cost in the range of 3.75 percent.

The City has executed many refinancings in the past, including separate refinancings of Midway Airport, wastewater system, and water system debt earlier this year in order to achieve cost savings for those respective City enterprises.

The refinancing is pending City Council approval. The City and STSC anticipate issuing the bonds as early as late October 2024. The minority underwriter representation on the GO/STSC refinancing transaction is targeted to be over 40 percent, which is commensurate with previous transactions.

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