

THE BOND BUYER

Cook County plots GOs, sales tax bonds as budget season kicks into gear

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Cook County, Illinois, is heading into budget and borrowing season with plans to sell about \$540 million of debt and release a preliminary budget with the lowest gap in a decade.

The county projects an \$18.2 million general and health fund gap as it plots out a fiscal 2023 budget that covers spending beginning Dec. 1. That's down from a \$121.4 million shortfall projected a year ago this time ahead of the eventual adoption of a fiscal 2022 \$8.1 billion budget. The county was facing a \$410 million gap two years ago. The gap is the lowest since Cook County Board President Toni Preckwinkle took office in 2010.

A general fund shortfall of \$4.3 million is projected while the county health system fund projects a \$13.9 million gap resulting in the \$18.2 million figure.

The county, which includes Chicago, attributed the improved picture to a combination of federal relief, one-time revenues, prudent financial management and a tight labor market.

"We entered into this very difficult pandemic period on a really strong financial footing and as a result we've been able to weather it a lot better than other local governments," Preckwinkle said during a press briefing ahead of Thursday's release of the budget estimates.



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Preckwinkle sought to highlight the county's rating upgrades, ongoing supplemental pension contributions, and the building of an unassigned fund balance this year to \$900 million. No layoffs or tax or fee hikes are expected. "We are just going to figure out how we can be more effective with the resources we have," she said.

The county has a \$100 million credit line to manage expenses.

Reversing a trend of negative actions, Fitch Ratings [lifted the county's](#) GO rating to AA-minus from A-plus in November, assigning a stable outlook, and S&P Global Ratings returned the county's outlook to stable from negative and affirmed the A-plus rating. Moody's Investors Service affirmed its A2 rating and stable outlook last year.

Preckwinkle, who is seeking a fourth term, will release a proposed budget in early October. She faces a former Cook County Commissioner Richard Boykin in Tuesday's Democratic primary.

The county now projects a \$233 million general fund surplus for fiscal 2022 due to a combination of factors led by higher sales tax collections and a robust housing market that's resulted in higher-than-expected fee collections and a tight labor market that's led to payroll savings as openings take longer to fill. One-time revenues including collections the state passes on to local governments also contributed to the expected surplus.

A \$29.3 million surplus is expected in the health fund.

Dean Constantinou, deputy chief financial officer, and Budget Director Annette Guzman warned of risks to the forecast on the horizon from a potential recession that would impact economically sensitive taxes and said departments were being asked to keep spending in check.

State rule changes on Medicaid could also result in the loss of some participants, according to documents.

About \$1 billion in federal COVID-19 pandemic relief allowed the county to help make up past revenue losses as well as invest in various programs. Over the next three-to-five years, the county will spend \$700 million on community programs.

The county expects to remain on course with supplemental contributions to its pension system. It's already made about \$2 billion in additional payments since 2016 tapping proceeds from a sales tax hike. The additional payments over the statutory based contribution have lifted the funded ratio to 67% and, if the payments are kept up, the fund would reach 100% funding by 2047. Without the future supplemental contributions the fund is projected to exhaust assets in 2047.

That's because the county can't count future supplemental contributions as an actuarial factor in calculating the fund's future health because they are made under an intergovernmental agreement with the fund and subject to annual appropriation and could still face a legal challenge. The county needs to codify a funding overhaul in state law and negotiations are ongoing among various stakeholders.

The county said there's no timeline for when legislation would be sought from the General Assembly but the county is "very much still aiming to move forward with legislation incorporating actuarially based contributions," said finance spokesman Edward Nelson.

The planned financings will go before the board of commissioners next week month for approval.

The county plans a \$300 million general obligation refunding with a team led by Barclays and Loop Capital Markets LLC with Mesirow Financial and Ramirez & Co. serving as co-senior managers and three other firms rounding out the syndicate.

Nixon Peabody LLP and Hardwick Law Firm LLC are bond counsel. Columbia Capital Management LLC and Acacia Financial Group Inc. are advisors.

The county also intends to issue \$240 million of sales-tax bonds, \$175 million of new money and the remainder refunding. Morgan Stanley is the senior manager and RBC Capital Markets and Siebert Williams Shank & Co. LLC are co-senior managers with three other firms rounding out the syndicate.

Katten Muchin Rosenman LLP and Charity & Associates PC are bond counsel. Columbia and Sycamore Advisors LLC are advisors.

The county has \$2.4 billion of general obligation debt and \$570 million of sales tax bonds.

The county [continues to search](#) for a new chief financial officer following the departure this month of Ammar Rizki to lead finances at the Obama Foundation. Comptroller Lawrence Wilson is serving as acting CFO.