



Office of the City Clerk

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Legislation Text

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RESOLUTION CALLING FOR HEARINGS INTO CURRENT BORROWING PRACTICES OF THE CHICAGO PUBLIC SCHOOLS

WHEREAS. An in-depth analysis conducted by the Chicago Tribune regarding the Chicago Public School's controversial auction-rate borrowing rather than through traditional fixed-rate bonds has been recently reported in a three-part series that is being characterized as "extraordinary"; and

WHEREAS. This study has revealed taxpayers may end up paying \$100 million more over the life of such deals than if they had used traditional borrowing methods. During the period from 2003 through 2007, the CPS issued \$1 billion worth of auction-rate securities, nearly all of it paired with complex derivative contracts called interest-rate swaps, in a move thought to lower borrowing costs; and

WHEREAS. The analysis revealed that very few other school districts in the nation issued more auction-rate bonds. In fact, during that time period the Chicago Public Schools issued more of these risky debentures than most cities, more than even the State of California; and

WHEREAS, Responsibility for pursuing such a risky financial course rests squarely on David Vitale who was appointed as President of the Chicago Board of Education by Mayor Rahm Emanuel in May of 2011. Previously, he served as the Chief Administrative Officer for the Chicago Public School system pro-bono from 2003 to 2008; and

WHEREAS, David Vitale has strong corporate roots. From February of 2001 through November 2002, he served as President and Chief Executive Officer of the Chicago Board of Trade. In addition to serving as a member of the CBOT's Board of Directors and Executive Committee, he also served as President and CEO of the Mid-America Commodity Exchange. Additionally, he is a former Vice Chairman and Director of Bank One Corporation in charge of their commercial banking, real estate, private banking, investment management and corporate investments businesses.

WHEREAS, Concurrent with his presidency of CPS, David Vitale is also the Chairman of Urban Partnership Bank, a newly formed bank serving the financially underserved neighborhoods of Chicago, Cleveland and Detroit; and

WHEREAS, Such a resume calls into question a possible conflict of interest as David Vitale's former and current business interests stand to directly benefit from the Chicago Public Schools financial policies and austerity measures implemented during his watch; and

WHEREAS, Based on the disturbing allegations raised in the Chicago Tribune series, it behooves this body to, now therefore

BE IT RESOLVED That we, the undersigned members of the City of Chicago City Council, gathered on this 12th Day of November, 2014 AD, do hereby call upon the Committee on Education and Child Development to expeditiously hold hearings and take testimony from expert witnesses concerning the current borrowing practices of the Chicago Public Schools.

BE IT FURTHER RESOLVED That certified, copies of this resolution be prepared and presented to David .1. Vitale, President of the Chicago Board of Education and the Honorable Latasha R. Thomas, chair of the Committee on "Education and Child Development.

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