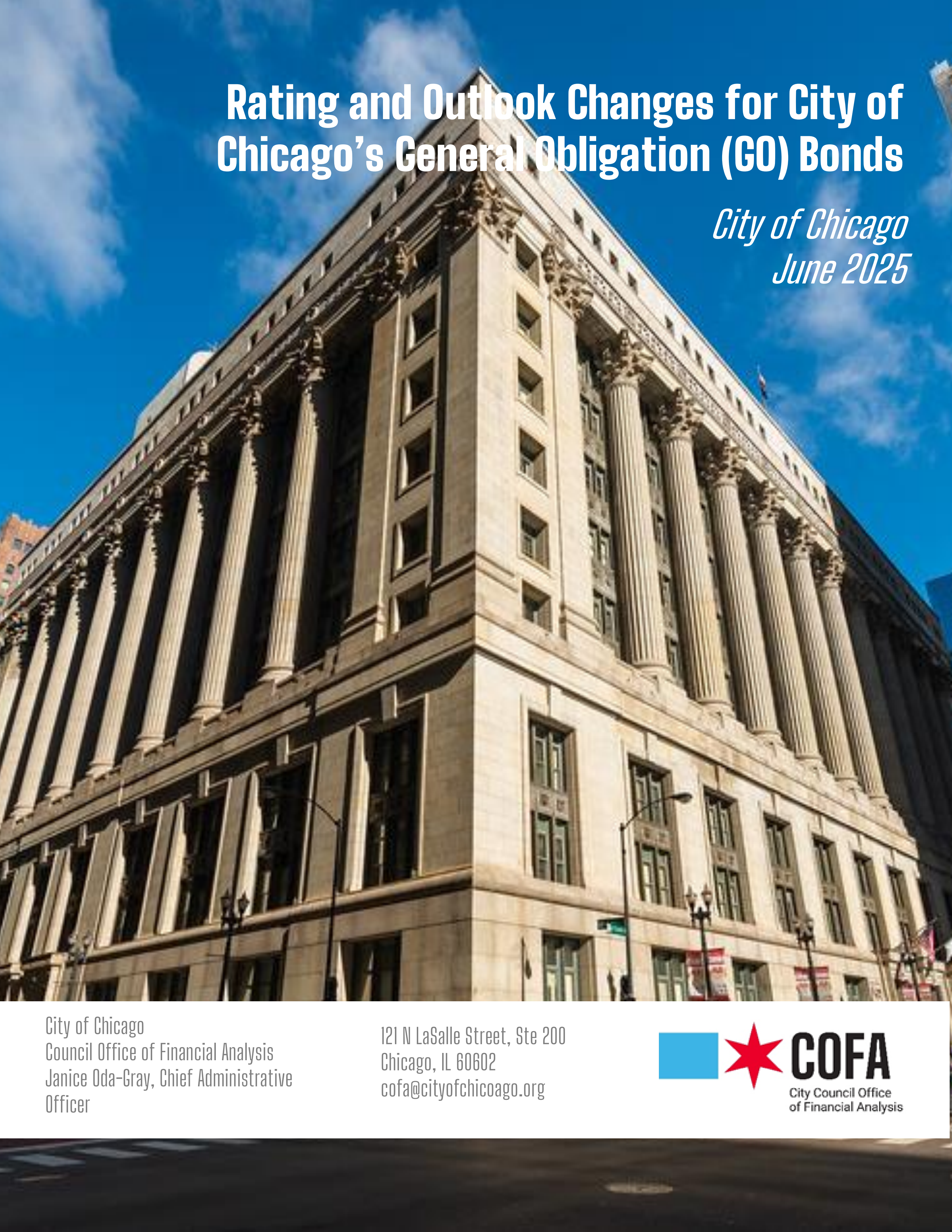
Rating and Outlook Changes for City of Chicago's General Obligation (GO) Bonds

City of Chicago
June 2025



City of Chicago
Council Office of Financial Analysis
Janice Oda-Gray, Chief Administrative Officer

121 N LaSalle Street, Ste 200
Chicago, IL 60602
cofa@cityofchicoago.org

COFA
City Council Office of Financial Analysis

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Bond Rating Analysis

Rating & Outlook Changes For Chicago GO Bonds

Bond Rating Analysis

The City Council Office of Financial Analysis (COFA) has prepared the following summary and analysis regarding recent ratings and outlook adjustments made to the General Obligation (GO) bonds for the City of Chicago. COFA evaluated the actions of the four major rating agencies for the City's General Obligation Bonds: Moody's, Standard & Poor's, Fitch Ratings, and Kroll.

On May 22, 2025, Fitch Ratings has assigned an A- rating on the following general obligation (GO) bonds issued to the city of Chicago, Illinois.

- $517,950,000 GO Bonds – series 2025A, 2025B, 2025C, 2025D and 2025E (capital improvement and refinance of one or more line of credit agreements)

- $91,575,000 GO Bonds – series 2025F and 2025G (housing and economic development projects)

The grade remained unchanged at A-; however, Fitch has downgraded Chicago's outstanding GO bonds from stable to negative. The other three rating agencies remained unchanged.

Summary of Rating and Outlook Changes

	Fitch	Moody's	S&P	Kroll
Rating	A-	Baa3	BBB	A-
Outlook	Negative	Stable	Stable	Negative

Fitch Ratings

On May 22, 2025, Fitch Ratings downgraded Chicago's outstanding general obligation (GO) bond rating from ***stable to negative***.[1] The IDR, GO, and STSC sales tax securitization bonds (senior lien) have had their ratings changed from ***stable to negative***.[2] The absence of significant progress in finding long-term fixes for its structural budget deficit is one of the main causes of the gloomy prognosis. The anticipated shortfall for 2026 is more than $1.1 billion, or about 20% of the corporate fund budget. Furthermore, government actions and macroeconomic issues may exacerbate the gap, making one-time adjustments necessary.

The city continues to pursue additional revenue streams, but these don't seem likely to materialize anytime soon and may require cooperation from the state. Although the city approved a lesser package of various fee increases for the 2025 budget, it has encountered more internal resistance to raising its property tax levy. Although operational efficiency might offer some respite, it is currently unclear if significant budget cuts would result in widespread program or service losses.

Factors that can lead to positive ratings include: a 20% reduction in the city's long-term liability burden, improved pension funding contribution practices including advance payments and an actuarially determined contribution level.[3] Conversely, factors that can lead to a downgrade; management ineffectiveness including late budget adoption, failure to adhere to fund balance policies or contentious fiscal decision making; and failure to fund the full statutory pension contribution.[4]

Moody's, S&P, and Kroll

The rating for the other three agencies (Moody's, S&P, and Kroll) remained the same at this time with no change.

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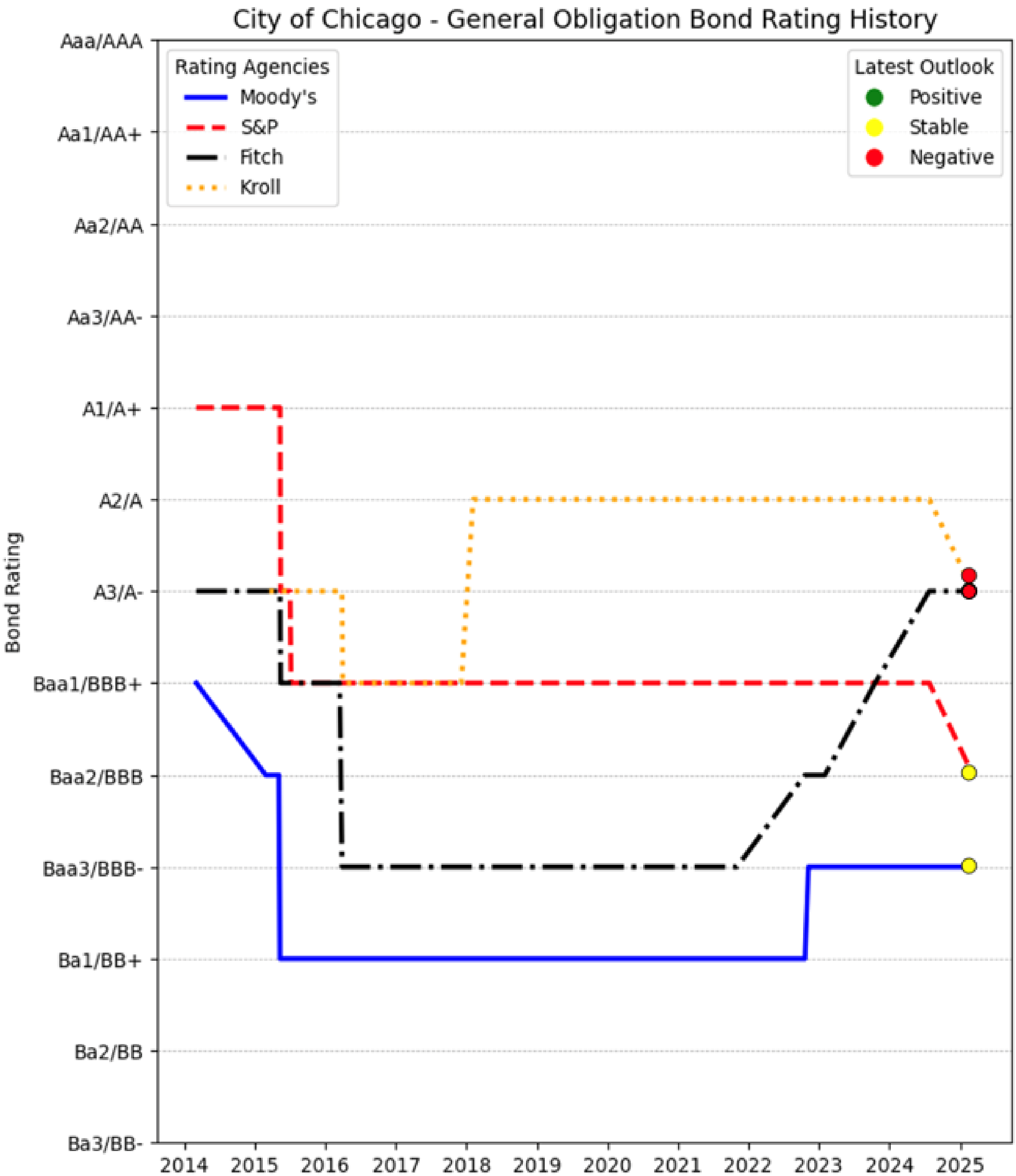
[1] Fitch Rates Chicago, IL's GOs 'A-';Upgrades IDR and GOs on Criteria Change; Removed from UCO.
https://www.fitchratings.com/research/us-public-finance/fitch-rates-chicago-il-gos-a-upgrades-idr-gos-on-criteria-changeremoved-from-uco-26-07-2024

[2] Ibid
[3] Ibid
[4] Ibid



City of Chicago - General Obligation Bond Rating History
Rating Agencies
Moody's
S&P
Fitch
Kroll
Latest Outlook
Positive
Stable
Negative
Bond Rating
Aaa/AAA
Aa1/AA+
Aa2/AA
Aa3/AA-
A1/A+
A2/A
A3/A-
Baa1/BBB+
Baa2/BBB
Baa3/BBB-
Ba1/BB+
Ba2/BB
Ba3/BB-
2014
2015
2016
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2018
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2020
2021
2022
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2024
2025