



CITY OF CHICAGO • OFFICE OF THE MAYOR



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CITY OF CHICAGO SECURES FIRST FITCH RATING UPGRADE IN NEARLY 13 YEARS DUE TO IMPROVED CITY FINANCIAL STABILITY

Fitch Ratings upgrades the City of Chicago's Credit Rating by one notch and places the City's credit on positive outlook

CHICAGO — Mayor Lori E. Lightfoot announced today that Fitch Ratings (Fitch) upgraded their long-term ratings for the City of Chicago's General Obligation Bonds (GO) by one notch from "BBB-" to "BBB" with a positive outlook. The positive outlook signals that Fitch believes there is potential for further upgrades over the next one-to-two-year period. This upgrade and positive outlook illustrate Fitch's confidence in the financial plan that the City has laid out and made good on over the last three years and the prospects for continued improvement in the City's finances in the years to come.

"Three years ago, we came into office with the largest budget gap in the City's history. As a result of the financial plan that we put in place at the time, the City has done the hard work of smart financial decisions to achieve this upgrade and demonstrate financial stability, all in the midst of a pandemic," said Mayor Lightfoot. "Three years later, we have a structurally balanced budget proposal to close one of the lowest budget gaps in the City's history and have put the City on a path to financial stability."

This is also the first GO rating upgrade ever by Fitch due to the improved financial performance of the City in 24 years. The 2010 Fitch upgrade of the City was due to a global methodology change to all credits nationally. The City's rating has been BBB- for nearly seven years since the last downgrade in 2016. The City estimates that these rating upgrades will save approximately \$100 million in savings per \$1 billion borrowed. The City borrows approximately \$1-2 billion per year.

"This rating upgrade is well-deserved, and highlights not only the tremendous hard work undertaken by the by the Mayor and City Council, but also the benefits of transparency and accountability in managing the City's finances," said Ald. Scott Waguespack, Chair for City Council's Committee on Finance.



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“The upgrade to 'BBB' of the IDR and GO bonds rating reflects Chicago's improving pension funding practices, its commitment to maintaining a sound reserve position, and ability to institute structural budget measures that improve its capacity to respond to future cyclical challenges,” said Fitch in their rating report.

“Fitch’s rating upgrade is independent recognition of what we have been saying — the Chicago financial turnaround is now,” said Chief Financial Officer Jennie Huang Bennett. “The City has cleared major deferred liabilities, including pensions, debt, and capital maintenance; created \$3 billion of new financial value for the City through new water supply contracts and a new casino; and made \$6 billion in investments in the City of Chicago. All of this was done in the last three years in the midst of a pandemic.”

The City’s key financial accomplishments over the last three years include:

- **Pensions:** For the first time in the City’s history, the City paid all four pension funds on an actuarially determined basis and, for the first time in 15 years, increased the funded ratio on all four pension funds. Further, the advance pension payment proposed in the FY2023 budget will accelerate the point at which the City can stabilize its pension funds by seven years.
- **Casino:** After three decades of pursuit, the City has secured a casino operator in the City of Chicago that will generate \$4 billion of financial value to the State of Illinois: \$2 billion to fund up the City’s police and fire pension funds and \$2 billion to the State of Illinois to support the capital plan. The casino will repatriate approximately \$190 million in gaming revenues back from the State of Indiana and is expected to generate \$200 million annually in revenues in a steady state. The casino will also be a job creator and is expected to generate 3,000 construction jobs and 3,000 operating jobs.
- **Debt:** For the first time in decades, the City is now paying down the full freight of its debt annually. Since the start of the Mayor’s administration, the City will reduce debt outstanding by \$747 million by fiscal year-end 2022. This responsible debt management allows the City to make the largest infrastructure investments in its history through the Chicago Recovery Plan and the Chicago Works program without increasing the City’s debt burden.
- **Budget Gap:** The FY2023 budget gap is the second lowest budget gap in 16 years and achieved structural balance through a reduction in reliance on one-time measures.
- **Water:** The City has secured the first new preliminary water supply contract in three decades with the City of Joliet which will generate \$1 billion of financial value and will be the second largest water partner to the City.



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- **O'Hare:** O'Hare International Airport is the only airport in the country to come out of the pandemic with higher ratings than it had going into the pandemic. The City secured three rating upgrades at O'Hare, including, two by Fitch and one by S&P on the O'Hare General Airport Revenue Bonds and the Passenger Facility Charge Bonds.
- **Investments:** The City has made \$6 billion in investments in the City's future, including \$3.3 billion in the Chicago Works Plan from 2021 to 2024, \$1.2 billion in the Chicago Recovery Plan, and \$1.4 billion in public and private investment commitments over the first two years of INVEST South/West. Further, given that the Chicago Recovery Plan is one of the most progressive investment programs in the City's history, the City will be selling a portion of its upcoming bond issue to fund the Chicago Recovery Plan through an ESG bond issue with a particular focus on prioritizing Chicago based investor participation.

"The 2023 Budget proposes increased investment in modernizing essential city functions around hiring, procurement, and IT; additional investments for public safety through the police department; more funding to address homelessness; and further investment around reproductive healthcare," said Budget Director Susie Park. "The hard work that began three years ago, with the 2020 Budget, has enabled the City to establish a course for financial stability."

S&P, in a separate commentary released today, comments that, "When the mayor took office in 2019, her administration pledged to restore structurally balanced operations, ending the one-time solutions and scoop-and-toss refundings that had been used in the past. After a one-year delay due to the pandemic, the 2023 budget is balanced without one-time revenue sources. During this time Chicago made several notable changes to its budget, including ramping up to full actuarial pension funding, which contained an increase of \$1.8 billion over eight years (2014-2022)."

"The City's structural solutions are led by operating efficiencies. One of these efficiencies in the FY2023 budget includes improving tax enforcement to ensure that companies are paying their fair share of taxes," said Comptroller Reshma Soni. "This due diligence has enabled the City to collect an additional \$20 million of revenue in the 2023 budget."

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