



CITY OF CHICAGO • OFFICE OF THE MAYOR



FOR IMMEDIATE RELEASE

November 8, 2022

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CITY OF CHICAGO SECURES FIRST MOODY'S INVESTMENT GRADE UPGRADE IN 12-YEARS

The City's 10th rating upgrade over the last 3 months brings all City's ratings to investment grade and is yet another testament to the City's financial turnaround

CHICAGO — Mayor Lori E. Lightfoot today announced that Moody's Investors Service (Moody's) has upgraded the City of Chicago's General Obligation (GO) Debt to a Baa3 rating. This upgrade marks the first upgrade the City of Chicago has received from Moody's in 12 years. The Moody's upgrade of one notch from Ba1 to Baa3 brings every City of Chicago rating to an investment grade and serves as an independent acknowledgment of the tremendous financial accomplishments of the City to stabilize its finances.

"When we started this work ago, we faced the largest budget gap in the City's history," said Mayor Lightfoot. "Now, nearly four years later, the City is financially stable and on a path toward economic recovery. Hard work pays off and my administration has done the difficult work of finding efficiencies and putting in place structural solutions to be able to begin paying down our debt, boosting reserves, and paying down the pension credit card, all while making historic investments in the City of Chicago."

In addition to upgrading the City's GO credit, Moody's also upgraded the City's water bonds, sewer first lien bonds, and sewer second lien bonds today adding to a total of 10 upgrades of the City's various credits over the last three months. These upgrades are expected to save the City more than \$100 million for each \$1 billion borrowed.

"The City's 10 upgrades from independent rating agencies and investment grade ratings across the board is external proof that the City has turned around its finances," said Jennie Huang Bennett, Chief Financial Officer. "These upgrades are evidence that the City's financial strength is not just focused in one or two areas but rather the financial improvements are being acknowledged across the city as a whole."



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Moody's also acknowledges the significant stabilization of the City's pension funds through increases in pension funding, the new policy that makes an advance pension payment and begins to pay down on the City's pension credit card. "Adoption of the [new pension funding] policy follows the elimination of a number of other debt-based budget relief maneuvers that Chicago had relied on, marking a decisive shift away from an era where the city balanced budgets at the cost of a deteriorating balance sheet."

In announcing the upgrade to the GO credit, Moody's noted that "Chicago has substantially increased its pension contributions and enacted numerous revenue increases, materially reducing what had been a massive structural operating deficit. With the adoption of its fiscal 2023 budget, the city has implemented a new policy that calls for, at a minimum, pension contributions from growing." Moody's also highlighted Chicago's massive economic base, healthy reserves, a labor force that has recovered slightly faster than peers, the recovery of economically sensitive revenue, and budget projections that include conservative growth assumptions.

"This is a great milestone for the people of Chicago, and a long time coming," said Alderman Scott Waguespack, Chairman of the Committee on Finance. "This upgrade reflects the great work the City has done to manage its operations, improve its pension position, and still expand the social, environmental, and economic development programs that will make the City better for all residents."

"I first want to congratulate Mayor Lori Lightfoot on her outstanding work balancing the 2023 budget without a property tax increase," said Alderman Pat Dowell, Chairman of the Committee on the Budget and Government Operations. "I would also like to thank my City Council colleagues who all took an incredibly thoughtful approach to solve the City's financial challenges."

These Moody's upgrades are just the latest of 10 rating upgrades the City has achieved since August 2022.

1. **August 2022:** Fitch Upgrades Chicago's O'Hare General Airport Revenue Bonds (GARBs) to 'A+' from 'A'.
2. **August 2022:** S&P Upgrades Chicago's O'Hare GARBs to 'A+' from 'A'.
3. **August 2022:** S&P Upgrades Chicago's O'Hare Passenger Facility Charge (PFC) revenue bonds to 'A+' from 'A'.
4. **October 2022:** Fitch Upgrades Chicago's General Obligation (GO) Bonds to 'BBB' from 'BBB-' and upgraded their Outlook to 'Positive' from 'Stable'.
5. **October 2022:** Fitch Upgrades Chicago's Sales Tax Securitization Corporation (STSC) Bonds to 'AA' from 'AA-' and upgraded their Outlook to 'Positive' from 'Stable'.



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6. **November 2022:** Fitch Upgrades Chicago's Water Revenue Bonds to 'A' from 'A-' and upgraded their Outlook to 'Positive' from 'Stable'.
7. **November 2022:** Fitch Upgrades Chicago's Sewer Revenue Bonds to 'A' from 'A-' and upgraded their Outlook to 'Positive' from 'Stable'.
8. **November 2022:** Moody's Upgrades Chicago's General Obligation (GO) Bonds to "Baa3" from "Ba1," with a 'Stable' Outlook.
9. **November 2022:** Moody's Upgrades Chicago's Water Revenue Bonds to 'Baa1' from 'Baa2,' with a 'Stable' Outlook.
10. **November 2022:** Moody's Upgrades Chicago's Senior Lien Sewer Revenue Bonds to 'Baa1' from 'Baa2,' with a 'Stable' Outlook and Junior Lien Sewer Revenue Bonds to 'Baa2' from 'Baa3,' with a Stable Outlook.

"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."

"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."

This upgrade comes just weeks after Fitch announced the first general obligation (GO) rating upgrade ever by Fitch due to the improved financial performance of the City. The Fitch upgrades to the Water and Sewer Revenue Bonds are the first in 12 years, while the upgrades to the O'Hare Bonds are the first in 6 years and came despite a severe downturn in air travel during the peak of the pandemic.

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