

RESOLUTION

WHEREAS, on January 14, 2025, S&P Global downgraded the credit rating for the City's general obligation debt to BBB – two notches above junk status – reflecting a view that while the City may have "adequate capacity to meet financial commitments", we remain susceptible to "adverse economic conditions"; and

WHEREAS, following a contentious budget process to close a nearly \$1,000,000,000 budget gap, S&P's report indicated that the 2025 budget left a "sizable structural budgetary imbalance that we expect will make balancing the budget in 2026 and outyears more challenging"; and

WHEREAS, this downgrade cannot come as a surprise either; S&P explicitly warned the City in November of last year not to rely too heavily on one-time fixes – advice that was ultimately ignored with the 2025 budget heavily reliant on one-time fixes, a full 30% of the total budget gap, including a \$40,000,000 line of credit, \$10,000,000 in "reimbursements" for special event costs, and \$5,000,000 in "savings"; and

WHEREAS, further, the report noted "the city's practical options for raising new revenue appear less certain, as does the willingness of city leadership to cut spending, creating a level of uncertainty around its financial trajectory that is more appropriately reflected in the lower rating", and

WHEREAS, a credit downgrade will likely have significant impacts on the City's borrowing costs, particularly costs related to the \$1,250,000,000 in bonds that were approved in 2024, but have not yet been issued; and

WHEREAS, this downgrade comes at a time of economic uncertainty regarding the incoming federal administration's plans to impose wide-ranging tariffs, which are expected to lead to increased inflation, supply chain disruption, or even a recession and wider economic downturn; and

WHEREAS, to avoid future credit downgrades and skyrocketing debt costs in the face of uncertain economic conditions, the City must engage in a serious discussion about controlling the City's soaring pension costs, spiraling personnel costs, massive debt load, and structural budget deficit; now, therefore

BE IT RESOLVED, that we, the Mayor and members of the City Council of the City of Chicago, do hereby call on the Committee on Finance to convene one or more hearings to investigate the impacts of this credit downgrade on the City's finances and borrowing costs, and steps the City should take to prevent future downgrades, including how the City can demonstrate financial stability, a strong economy, and responsible management of public funds; and

BE IT FURTHER RESOLVED, that we call upon the Budget Director, Comptroller, Chief Financial Officer, and Treasurer, or their respective designees, to attend such hearing and provide information and other testimony regarding the foregoing issues and concerns.

ANTHONY A. BEALE
Alderman, 9th Ward