Research Update:

Chicago GO Rating And Sales Tax Securitization Corp., IL Debt Rating Placed On CreditWatch Negative

November 18, 2026

Overview

- S&P Global Ratings placed its 'BBB' rating on the City of Chicago's general obligation (GO) debt outstanding on CreditWatch with negative implications.
- At the same time, S&P Global Ratings placed its 'A+' rating on the Sales Tax Securitization Corp. (STSC), Illinois' first-, second-, and third-lien sales tax securitization bonds on CreditWatch with negative implications.
- The CreditWatch placement reflects our view of the elevated likelihood of a negative rating action within the next 90 days given the current budget stalemate and given that budget negotiations during this critical period appear to be heading down a path similar to that of the past two years, which, in our view, increases the likelihood that the city will resort to significant one-time measures to balance the fiscal 2027 budget.

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Rationale

Security

Chicago's GO bonds are secured by the city's full faith and credit, unlimited-tax GO pledge. STSC's bonds are limited obligations of the corporation, payable solely from sales taxes and other collateral pledged under the indenture. Under our priority-lien tax revenue debt criteria, Oct. 22, 2018, the STSC ratings are constrained to no more than four notches above the city GO rating, and the ratings and outlook move in tandem with those on the city's GO debt given this constraint.

Credit highlights

The CreditWatch placement reflects our view that there is at least a one-in-two chance of a downgrade in the next 90 days, pending the passage of Chicago's fiscal 2027 budget and our evaluation of the city's progress in reducing the fiscal deficit. We believe a negative rating action

is likely if Chicago's enacted fiscal 2027 budget relies too heavily on unsustainable solutions to close the gap, perpetuating the city's chronic reliance on short-term expedients that reduce fiscal resilience. As in the past two years, political infighting within a condensed budget timeline that allows for only roughly six more weeks of negotiations before the Dec. 31 statutory deadline for budget passage will, we believe, make an on-time budget with substantial structural enhancements difficult to achieve. That said, we could affirm the 'BBB' rating with progress reducing the deficit through structural measures that meaningfully reduce out-year deficits and place Chicago on a path toward fiscal normalization.

The CreditWatch action follows the resignation of the city's CFO last week, continuing a string of high-profile management departures over the past year that, at this stage, we believe constitutes a pattern of management instability that injects added uncertainty into the budget process. The recent departure of the city's CFO comes at a critical juncture, as just days earlier a majority of the city council signed a letter to the mayor rejecting more than $400 million in revenue in the mayor's fiscal 2027 budget proposal, including $75 million in funds derived from the recent sale of the city's parking meter system, more than $100 million from the mayor's corporate head tax proposal, and $234 million from the proposed five percentage point hike in the city's personal property lease tax rate.

These items aside, the corporate fund budget proposal continues a pattern of heavy reliance on nonstructural gap-closing measures that includes bonding for legal settlements, tax increment finance fund sweeps, use of fund balance, reallocation of corporate fund expenses to other funds, and a hiring freeze at the Chicago Police Department without a permanent headcount reduction. Consequently, most of the measures proposed to close the estimated $882 million corporate fund gap are either nonstructural or contested by a city council majority. Furthermore, expenditure adjustments are significantly limited in the budget proposal, in our view, indicating a limited appetite for cost-cutting that further constrains the budgetary environment.

We believe that management turnover adds to the city's immediate challenges, as does the possibility that the political fallout related to the CFO's resignation will consume scarce time and attention in the weeks ahead. For more information on the city's GO credit, see our report, Sept. 15, 2026, and for more information on the STSC credit, see our report, Sept. 22, 2026.

CreditWatch

We expect to resolve the CreditWatch listing as soon as practicable following the passage of the 2027 budget and by no later than 90 days from now.

Ratings List		
CreditWatch Action		
	To	**From**
Local Government		
Chicago, IL Unlimited Tax General Obligation	BBB/Watch Neg	BBB/Negative
City of Chicago, IL Sales Tax 3rd Lien	A+/Watch Neg	A+/Negative
Sales Tax Securitization Corporation of Chicago, IL Sales Tax	A+/Watch Neg	A+/Negative
Sales Tax Securitization Corporation of Chicago, IL Sales Tax Second Lien	A+/Watch Neg	A+/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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