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Let’s Agree to Disagree.

The three main credit agencies have all released new reports or evaluations about Chicago’s credit-worthiness. While they all say the city’s massive pension liability is a big concern, they arrive at different conclusions about the city’s actual rating. To quote a *Sound of Music* song (points for knowing which one), let’s start at the very beginning:

During the last week of February, Fitch assigned an A- rating, the lowest level of the A-rating tier, to Chicago’s upcoming General Obligation (GO) $388 million bond issuance. The outlook for the financial health of these bonds was negative, Fitch said. The ratings agency cited a “lack of meaningful solutions to both the near- and long-term burdens associated with the city’s underfunded pension plans” as a key rating driver.

A few days later that same week, Standard & Poor’s weighed in on the city. In a report titled “Will Chicago Suffer Detroit’s fate?” S&P said its A+ rating on Chicago’s GO debt (two steps higher than Fitch’s) “reflects our view of its overall solid credit quality, with support from a strong local economy.” The report did note that Chicago and Detroit (which is rated D, the lowest level possible), shared an inability to afford their growing liabilities. It noted in 2012, debt service as a percent of total governmental fund expenditures was 12 percent in Chicago and 14 percent in Detroit. (There. obligatory Detroit reference accomplished.)

Finally, last week, Moody’s announced it rated Chicago’s upcoming GO debt issuance Baa1 – just two steps above junk bond status. The report says the city’s unfunded pension liabilities “threaten the city’s fiscal solvency absent major revenue and other budgetary adjustments adopted in the near term and sustained for years to come.”

For the backstory on why ratings agencies don’t agree with each other much these days, check out this explainer via Governing’s Finance 101 series.

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