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S&P Cuts Chicago Debt One Notch.

Chicago is now three notches above junk

Standard & Poor's Ratings Services has downgraded Chicago one notch to triple-B plus from A-minus, predicting that a "structural imbalance" will lead to "corrective budget measures over several years."

S&P said "in our opinion, the city has not yet fully identified a credible plan" to address the imbalance.

S&P removed the rating, which is now three notches above junk, from CreditWatch. The rating firm has a negative outlook.

In May, Moody's Investors Service cut its rating on Chicago's debt by two notches to junk, citing expected increases in unfunded pension burdens after a ruling by the Illinois Supreme Court that overturned state pension changes.

Shortly after the downgrade, Moody's missed out on a lucrative assignment for Chicago when the city instead hired rivals S&P, Fitch Ratings and Kroll Bond Rating Agency Inc. to provide grades for a refinancing of general-obligation bonds.

S&P cut Chicago's rating by two rungs in May.

S&P said Wednesday that the city "has successfully addressed its most immediate liquidity pressures," but said Chicago needs to address police and fire pension costs.

Moody's changed its methodology for calculating pension liabilities in 2013, a move that has been linked to stricter municipal-debt ratings than those from S&P and Fitch.

Moody's said in a 2013 statement that it believed pension liabilities were "underreported from a balance sheet perspective."

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