

Moody's on Illinois, Chicago, and the Sales Tax Securitization Legislation

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Illinois Local Governments: Ample Cash, Growing Pensions

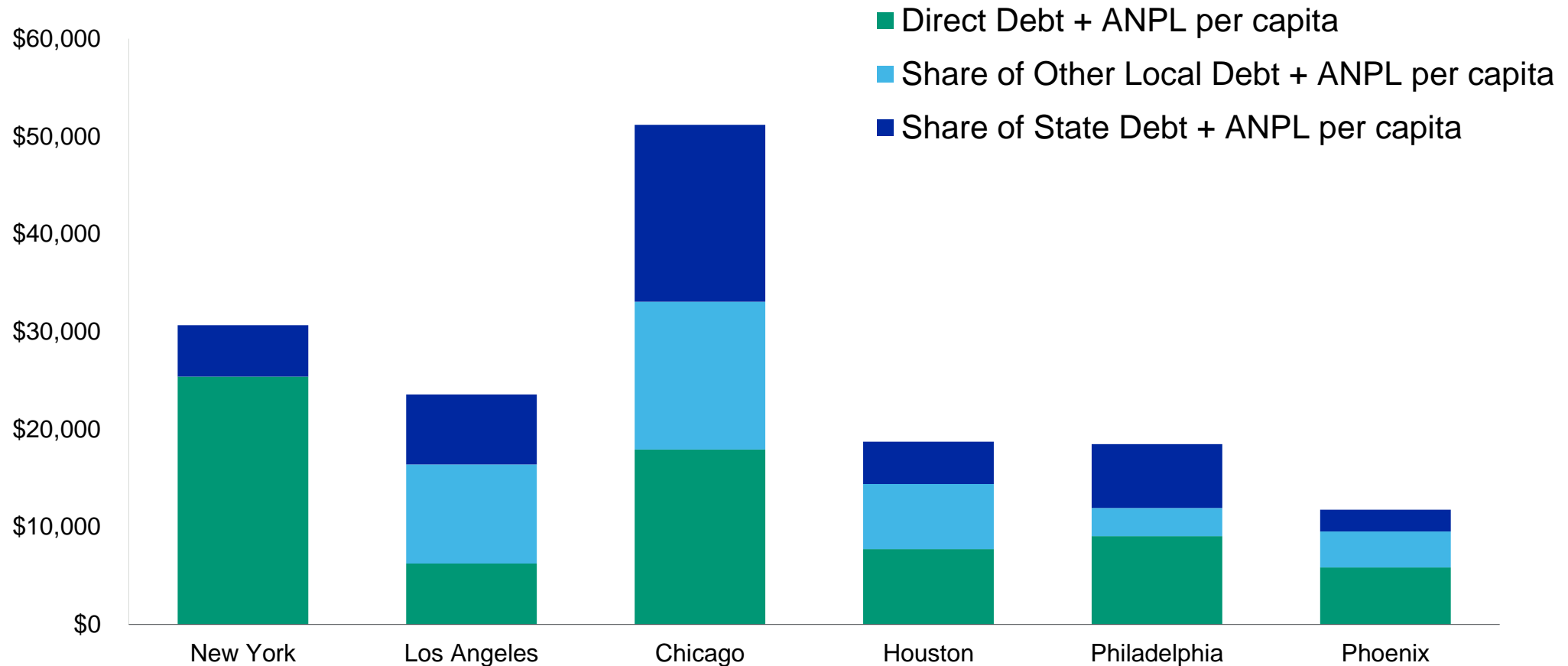
Cities

Rated cities receive most revenues from local taxes and have relatively limited reliance on state sources. Liquidity is typically strong. Public safety pension costs are the main pressure.

School Districts

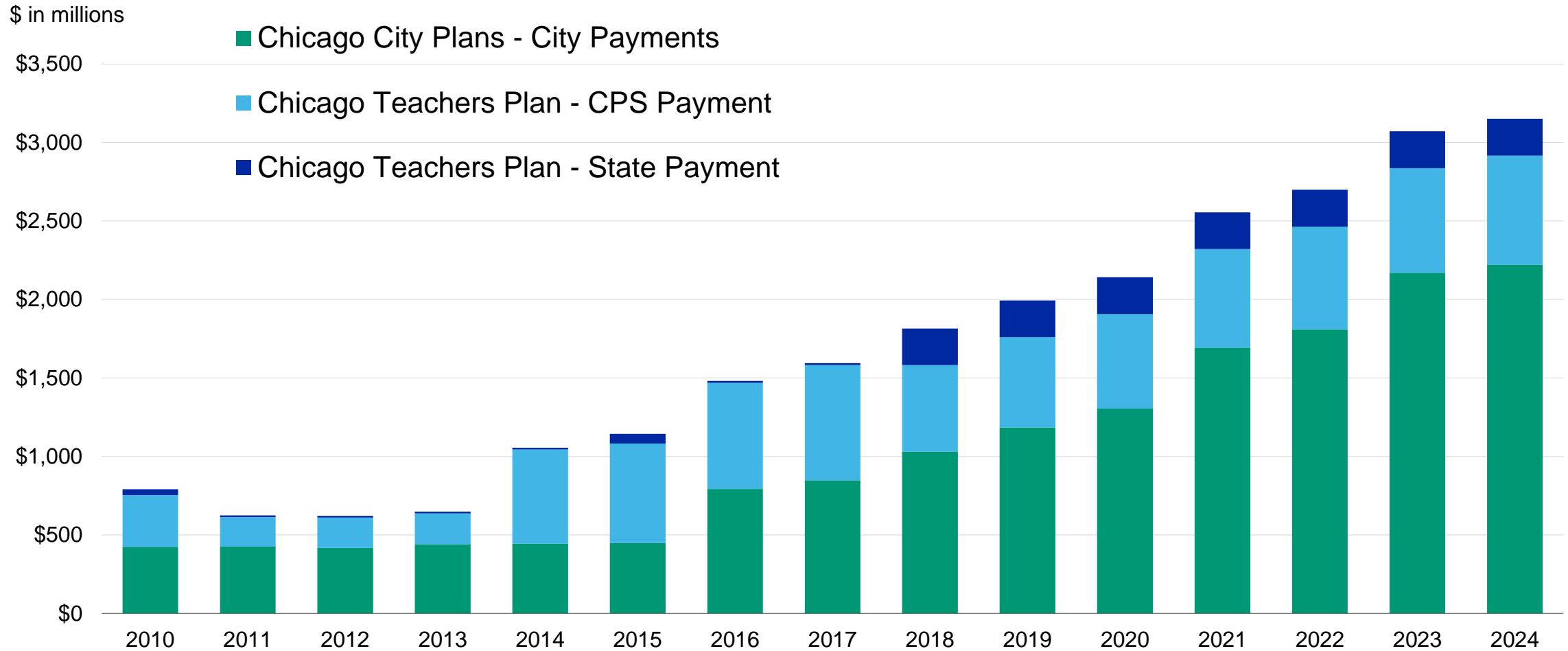
Most rated school districts receive minimal state funding and maintain ample liquidity. A potential state pension cost shift poses long-term risks.

Chicago Residents: High Debt and Pension Leverage



Source: Moody's Investors Service

Chicago and CPS: Growing Pension Costs and Leverage



Annual employer pension contributions

Sources: Comprehensive Annual Financial Reports of the City of Chicago, Chicago Public Schools, and the Pension Plans

Illinois Sales Tax Securitization vs. Local Government GO

May exceed a local government's GO rating because:

Statutory liens and separation of pledged revenues are correlated with higher recoveries.

No more than two to three notches above a local government's GO rating because:

The state is not actively involved in the creation of the special purpose entity.

Municipal bankruptcies are rare. Most recent cases have been settled via negotiation.



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