

A nighttime photograph of a multi-lane highway with light trails from cars. A streetlight with two glowing lamps is in the foreground on the left. The sky is dark blue with some clouds. In the background, there are some buildings and trees.

Move Illinois Program Funding Update Bond Basics

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Topics

Illinois Tollway bonds

***Move Illinois* – Funding update**

Appendix

Types of bonds

Key features of bonds

Bond value-measuring yield

Credit risk and bond ratings

Definitions



Illinois Tollway Bonds

Principal O/S	\$6,416,725,000
Type	Government agency revenue bonds
Security	All senior lien
Maturities	1-24 years (statutory limitation of 25 years)
Interest	All fixed rate (no risks related to variable rate)
Ratings	AA- (Fitch), A1 (Moody's), AA- (S&P)
Outlook	Stable from Fitch; negative from Moody's and S&P

Interest exempt from federal income tax, but subject to state income tax



Funding Update – Move Illinois Program

(All \$ in Billions)	Original Plan (Aug 2011)	CURRENT PLAN		
	<u>2012-26</u>	<u>2012-19</u>	<u>2020-27</u>	<u>Total</u>
Program Costs	\$12.1	\$6.3	\$7.8	\$14.1
Funding Sources				
•Net Revenues after Debt Service	\$7.3	\$3.0	\$5.3	\$8.3
•Bond Proceeds	<u>\$4.8</u>	<u>\$3.3</u>	<u>\$2.5</u>	<u>\$5.8</u>
Total Funding	\$12.1	\$6.3	\$7.8	\$14.1

On April 27, 2017, the Tollway's Board of Directors approved a modification of the Move Illinois Program primarily related to the Central Tri-State, increasing the Program's cost to \$14.3 billion. The Program's currently projected cost is \$14.1 billion.



Cashflow Projections 2012 - 2027

<i>(all #s in \$millions)</i>	<u>2012-2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2027</u>	<u>Totals 2012-2027</u>
Beginning Balance for Capital	\$366	\$884	\$890	\$525	\$455	\$366
Toll Revenues <i>(incl. evasion recovery)</i>	\$9,228	\$1,240	\$1,395	\$1,440	\$7,972	\$21,275
Inv. Income/Concessions/Misc.	670	30	20	26	141	887
Total Revenues	\$9,899	\$1,270	\$1,415	\$1,466	\$8,113	\$22,162
(Operating Expenses)	(2,442)	(365)	(380)	(395)	(2,224)	(5,805)
Net Revenues	\$7,456	\$905	\$1,035	\$1,071	\$5,889	\$16,357
(Net Debt Service)	(2,831)	(430)	(469)	(498)	(2,857)	(7,085)
Available after Debt Service	\$4,626	\$475	\$566	\$573	\$3,032	\$9,272
Bond Proceeds	3,310	625	603	567	803	5,908
Move Illinois Program	(6,330)	(1,094)	(1,534)	(1,209)	(3,947)	(14,114)
Other Capital Expenditures	(1,088)	-	-	-	-	(1,088)
Net Cashflow	\$518	\$6	(\$365)	(\$70)	(\$111)	(\$22)
Ending Balance for Capital	\$884	\$890	\$525	\$455	\$344	\$344

On April 27, 2017, the Tollway's Board of Directors approved a modification of the Move Illinois Program primarily related to the Central Tri-State, increasing the Program's cost to \$14.3 billion. The Program's currently projected total cost is \$14.1 billion.



Bond Issuance for *Move Illinois* Program

Year	Bond Par Amount	Authorized?
2012-2019	\$3,100,000,000	Yes
2020	\$500,000,000	Yes
2021	\$600,000,000	No
2022	\$600,000,000	No
2023	\$450,000,000	No
2024	<u>\$400,000,000</u>	No
TOTAL	\$5,650,000,000	



Bond Issuances to Fund Portions of *Move Illinois*

<u>Series</u>	<u>Issuance Date</u>	<u>Par Amount</u>	<u>Proceeds at Closing for Move Illinois*</u>	<u>Yield to Call</u>	<u>Yield to Maturity</u>
2013A	5/16/2013	\$500,000,000	\$522,963,965	3.44%	4.14%
2014B	6/4/2014	\$500,000,000	\$516,211,135	3.77%	4.33%
2014C	12/4/2014	\$400,000,000	\$423,786,846	3.41%	4.07%
2015A	7/30/2015	\$400,000,000	\$414,159,383	3.80%	4.33%
2015B	12/17/2015	\$400,000,000	\$422,000,298	3.58%	4.19%
2016B	6/16/2016	\$300,000,000	\$341,519,175	2.73%	3.68%
2017A	12/6/2017	\$300,000,000	\$332,133,552	3.06%	3.85%
2019A	7/11/2019	\$300,000,000	\$336,181,148	2.83%	3.65%
2020A	12/17/2020	\$500,000,000	<u>\$623,409,789</u>	<u>1.83%</u>	<u>3.16%</u>
Totals		\$3,600,000,000	\$3,932,365,290	3.17% **	3.95% **

* Does not include construction account investment earnings (such amounts not material).

** The totals for "Yield-to-Call" and "Yield-to-Maturity" are averages weighted by "Proceeds at Closing for Move Illinois."



Debt Service Schedule *(including on expected 2021 bond issuance)*

Fiscal Year	Principal	Interest	Total Debt Service
2020	132	313	445
2021	141	341	482
2022	148	349	497
2023	155	342	497
2024	163	334	497
2025	188	326	514
2026	231	317	548
2027	243	305	548
2028	255	293	548
2029	268	280	548
2030	281	267	548
2031	302	253	555
2032	318	237	555
2033	335	221	555
2034	354	201	555
2035	374	181	555
2036	393	162	555
2037	413	142	555
2038	433	122	555
2039	448	100	548
2040	380	78	458
2041	308	59	367
2042	268	44	312
2043	274	31	305
2044	209	17	226
2045	135	7	142

- ✓ Includes existing debt service plus debt service on projected new money issuance of \$300 million in May 2021 and \$300 million in September 2021.*
- ✓ Debt service due January 1 of a given calendar year is included in the prior fiscal year, per the Trust Indenture.
- ✓ All bonds are fixed rate bonds. There are no derivatives or credit enhancements associated with the bonds.
- ✓ Interest expense does not net out anticipated federal subsidies related to Build America Bonds, expected to total approximately \$13.6 million in each of 2020/2021.

* Note: This schedule does not include bond issuances planned beyond 2021.



APPENDIX



Types of Bonds

A bond is a debt security used to borrow funds from investors, which are repaid pursuant to the terms of the bond

Bond issuers may be

- Governments, government agencies and corporations
- Special purpose trusts
- Non-profit organizations
- Combinations of above

Security for bonds

- General obligation
- Revenue bonds
- Asset-backed



Reasons to Issue Bonds

Fund capital expenditures/new programs

Fund capitalized interest

Refinance existing debts

- Reduce debt service
- Reduce risk related to existing debt
- Exit bond limitations/modify covenants



Key Features of a Bond

Par amount

Maturity

Default risk

Taxability of interest

Call provision (ability to pay off bonds early)

Coupon interest rate (fixed, synthetic fixed, variable)

Price and yield

Premium or discount

** Definitions in Appendix*



Bond Value

Risk and return risk-free rate (Treasury securities)

- Credit risk
- Tax risk
- Liquidity risk

May impact the return (i.e. investment yield) required by bond purchasers

* Definitions in Appendix



Bond Ratings

Assigned by credit rating agencies

Indicate level of payment risk

	<u>Investment Grade</u>	<u>Non-Investment Grade</u>
Moody's	Aaa Aa A Baa	Ba B Caa Ca C
Fitch	AAA AA A BBB	BB B CCC CC C D
S&P	AAA AA A BBB	BB B CCC CC C D

Additional modifiers - 1/2/3 for Moody's and +/- for Fitch and S&P

Outlook - Indication of possible change in rating during the next 1-2 years



Credit Risk and Bond Ratings - Factors

Financial performance

- Coverage ratios, such as debt service coverage
- Debt ratio
- Budget/financial management

Asset condition and management

Bond contract provisions

- Senior versus subordinated debt
- Secured versus unsecured debt
- Guarantee provisions
- Sinking fund provisions
- Debt maturity



Credit Risk and Bond Ratings – Other Factors

Income stability

Regulatory environment

Potential liability

Accounting policies



Definitions

Par amount: Face amount of a bond; paid at maturity

Coupon interest rate: Rate of interest applied to the par value

Maturity: Years until bond becomes due; payable to the bondholder

Bond price: Amount paid for a bond

Premium: When the bond price is more than its par value

Discount: When the bond price is less than its par value

Yield: Annual rate of return on a bond, based on the bond price, its rate and the length of time the bond is held

Taxable interest: Interest from a bond that is not exempt from federal and/or state income tax



Definitions

Call provision: Provision for the Issuer to redeem a bond before the stated maturity at a specified price, usually at or above par

Default risk: Risk that issuer fails to make interest or principal payments on a bond

Risk-free interest rate: Interest or rate of return of a bond with zero risk over a given period of time, e.g. U.S. Treasury bills

Credit risk: The bondholder weighs the risk of the issuer's failure to meet the bond obligation

Tax risk: Risk that the value of a bond can be impacted by changes to the tax code

Liquidity risk: Risk that a bond cannot be traded quickly enough in the market to prevent a loss or make a profit

Source: Municipal Securities Rulemaking Board (MSRB)



Principal Members of Financing Team

Financial Advisor(s)

- Advise with structuring plan of finance
- Assist with credit presentation materials
- Assure fair value at pricing

Bond Counsel

- Interprets laws and assists in the legal structuring of bond issue
- Drafts bond documents and Board resolutions
- Opines that bonds are legally issued

Other

- Issuer's counsel, underwriters' counsel, credit enhancers (if applicable), and rating agencies

Trustee

- Receives proceeds of bond issue
- Invests and disburses funds as set forth in bond documents
- Monitors continuing disclosure and administers repayment of debt

Senior Managing Underwriter

- Leads bond marketing process to investors
- Coordinates sale orders from syndicate of co-managers
- Provides secondary market support for bonds



THANK YOU