

**Rating Action: Moody's upgrades Illinois State Toll Highway Authority senior revenue bonds to Aa3 from A1; outlook is stable**

---

01 Nov 2021

**Approximately \$6.4 billion outstanding bonds affected**

New York, November 01, 2021 -- Moody's Investors Service has assigned Aa3 to the Illinois State Toll Highway Authority, IL's (ISTHA) \$600 million Toll Highway Senior Revenue Bonds, 2021 Series A. Concurrently, Moody's upgraded to Aa3 from A1 ISTHA's \$6.4 billion outstanding parity senior revenue bonds. The outlook is stable.

**RATINGS RATIONALE**

The upgrade to Aa3 from A1 primarily reflects the improved credit position of the State of Illinois and normalizing traffic on ISTHA's facilities following disruptions during the pandemic. The state was recently upgraded to Baa2 from Baa3, with a stable outlook. The state's credit challenges that stem from the state's very large unfunded post-employment liabilities remain; however, the improvement in the state's financial profile lowers the likelihood that it would attempt to look to the tollway to assist with non-system liabilities.

The Aa3 senior lien rating is based on the authority's very strong market position characterized by the essential nature of its tollway system serving one of the largest population bases and most diverse economies in the nation. Strong traffic and revenue trends through toll increases and state-level fiscal stress demonstrate the inelastic demand for the tollway system roads and limited impact of competition. Debt service coverage remains strong through the pandemic, and leverage will weaken somewhat as a result of plans to issue an additional \$2.2 billion through 2024 (inclusive of the current Series 2021A bonds). Liquidity will decline if ISTHA's revenue matches projections and pay-go capital is spent in line with current plans. The authority does not rely on state funding and its rating acknowledges strong protections in the authorizing legislation, the master trust indenture, and the Illinois Constitution. However, in the event of serious fiscal distress and potential default by the state on its own bonds, risk remains that the authority could be negatively affected by emergency fiscal actions taken by the state in such an unprecedented scenario.

As with the broader toll road sector, the ISTHA revenues declined sharply to a trough in April, with monthly traffic 51.3% down and monthly toll revenues 39.1% down compared to April 2019 before beginning a sustained and steady recovery to current levels, with September 2021 traffic approximately 3% below September 2019 traffic levels. Commercial traffic has shown much more resiliency than passenger traffic, with fiscal year 2020 commercial traffic down only 1.5% from the prior fiscal year 2019, and commercial traffic in the first nine months of 2021 approximately 6% above the first nine months of 2019. This performance underscores the system's inelasticity of demand, despite market dislocations. Moody's net revenue debt service coverage remained strong at 2.09x in 2020 and leverage of 6.49x at year end; liquidity remained above 1,000 days cash on hand in 2020. Current projections show a recovery to pre-pandemic 2019 levels of toll revenues in 2021 and traffic volumes in 2022. Expected revenue growth will keep net revenue DSCR near 2.0x and leverage below 6.5x despite the significant bond issuance planned through 2024.

**RATING OUTLOOK**

The stable outlook is based on the expectation that the authority will continue to exercise its rate-setting autonomy, that approved commercial toll increases will continue to be implemented as planned, and construction costs for the Move Illinois projects will be in line with estimates. The outlook is also based on the stable credit profile of the State of Illinois.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Traffic and revenues that significantly exceed current projection, with Moody's net revenue DSCR above 3.5x and
- Substantial improvement in the state's credit strength

- Liquidity remaining above 730 days cash on hand

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of the state credit profile
- Attempts by the state to divert ISTHA funds to non-authority purposes or change protective legal arrangements
- Traffic and revenues fall short of current projections
- DSCRs consistently falling below 1.75x on Moody's net revenue basis
- Issuance of additional debt to fund other projects without offsetting toll rate increases or revenue growth, or that results in lower DSCRs or liquidity
- Adjusted debt to operating revenues above 7.0x
- Liquidity below 365 days cash on hand

#### LEGAL SECURITY

The bonds are secured by the net revenues of the authority. The authority has by statute the exclusive and autonomous right to set and collect tolls. Net revenues must be at least equal to 1.30x aggregate annual debt service on a trust indenture basis. The additional bonds test is also 1.30x. The debt service reserve requirement is equal to maximum aggregate annual debt service and is cash-funded save a \$100 million surety provided by Berkshire Hathaway Assurance Corporation (Aa1 stable IFSR).

The authority has a three-pronged legal framework which provides separation from direct financial control by the state. First, the Toll Highway Act of 1968 is ISTHA's authorizing legislation, which states ISTHA monies can only be spent on toll highway O&M, renewal and replacement, system improvement and debt service for related obligations. Monies in excess of the above expenditures can only be spent on tollway purposes and dispersed only upon the order of the authority. Second, the authority's Master Indenture of 1999, states the flow of funds is closed, and monies can only be used for purposes allowed in the Toll Highway Act. Finally, the 2016 Transportation Lockbox Amendment to Illinois State Constitution precludes transportation funds from being used for non-transportation uses.

#### USE OF PROCEEDS

Proceeds from the 2021 Series A bonds will be used to fund capital improvements, fund the debt service reserve accounts and pay costs of issuance.

#### PROFILE

ISTHA operates a tollway system that consists of approximately 294 miles of limited access highway in twelve counties in the northern part of Illinois and is an integral part of the expressway system in northern Illinois. The entire tollway system has been designated a part of the US Interstate Highway System, except for the 10 miles of Illinois Route 390. Over the last 10 years, around 12% of traffic has been commercial but this class of vehicles has accounted for 43% of revenues. In 2020, the impact of the COVID-19 pandemic reduced total traffic by 17%. However, the effect was less on commercial traffic and, as a result, the share of commercial traffic increased to 15% of volume and 55% of revenues. The percentage of commercial revenues is now greater than 50% and will remain throughout the forecast. The system consists of five components: the new Illinois Route 390 (formerly the Elgin O'Hare Expressway) whose first 6.5 mile segment opened in July 2016, and second 3.5 mile segment opened in November 2017. At completion the Elgin O'Hare Western Access Project will total 17 miles and provide Western access to O'Hare airport; the 76 mile Jane Addams Memorial Tollway, which constitutes a portion of US Interstate Highway 90; the 82 mile Tri-State Tollway constituting portions of US Interstate Highways 80, 94 and 294; the 30 mile Veterans Memorial Tollway (Interstate 355) which opened in December 1989 and was extended in 2007, and the 96 mile Ronald Reagan Memorial Tollway that constitutes a portion of US Interstate Highway 88.

#### METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Toll Roads and Parking Facilities published in March 2019 and available at <https://www.moodys.com/researchdocumentcontentpage.aspx?>

[docid=PBC\\_1091602](#). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody.com](http://www.moody.com).

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website [www.moody.com](http://www.moody.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1288235](http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1288235).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on [www.moody.com](http://www.moody.com).

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on [www.moody.com](http://www.moody.com).

Please see [www.moody.com](http://www.moody.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for additional regulatory disclosures for each credit rating.

Earl Heffintrayer  
Lead Analyst  
Project Finance  
Moody's Investors Service, Inc.  
Plaza Of The Americas  
600 North Pearl St. Suite 2165  
Dallas 75201  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Kurt Kruppenacker  
Additional Contact  
Project Finance  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653



© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON

WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary

of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.