

Research

Summary:

Illinois State Toll Highway Authority; Toll Roads Bridges

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Table Of Contents

Credit Highlights

Outlook

Related Research

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Credit Profile

US\$900.025 mil toll hwy sr lien rev bnds ser 2024A due 01/01/2039

Long Term Rating AA-/Stable New

Illinois St Toll Hwy Auth

Long Term Rating AA-/Stable Affirmed

Illinois St Toll Hwy Auth

Long Term Rating AA-/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA-' rating to the Illinois State Toll Highway Authority's (ISTHA) pro forma \$900 million series 2024A toll highway senior revenue refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating and underlying rating (SPUR) on ISTHA's senior-lien toll highway revenue bonds outstanding.
- The outlook is stable.

Security

Net revenues of the ISTHA toll system secure the authority's toll highway revenue bonds. A debt service reserve (DSR) equal to maximum annual debt service, of which 83% is cash funded and the remainder of the requirement satisfied with a DSR surety from Berkshire Hathaway Assurance Corporation provides additional liquidity to bondholders.

ISTHA will use series 2024A bond proceeds, together with other available funds, to refund all or a portion of its series 2013A and 2014B toll highway senior revenue bonds outstanding and to pay costs of issuance.

Post-issuance, ISTHA will have approximately \$7.3 billion in principal outstanding, consisting entirely of senior-lien, fixed-rated bonds. The authority projects issuing new money bonds of \$500 million around April 2024 and \$1 billion in 2025, which it expects will complete the debt financing of the \$15 billion Move Illinois Program (MIP). No additional new money debt issuances are anticipated beyond 2025 for the MIP. ISTHA has no variable-rate debt, direct-purchase obligations, or swaps outstanding.

Credit overview

The rating reflects the tollway system's important role as a regional urban infrastructure provider, with critical transportation links in northern Illinois that include the deep and diverse Chicago metropolitan statistical area (MSA), despite the existence of non-tolled alternatives. The rating also reflects our expectation that generally favorable traffic trends, toll rate increases, and management's ability to adjust operating expenditures and defer capital spending, if needed, will enable ISTHA to maintain debt service coverage (DSC; S&P Global Ratings-calculated) at levels we

consider strong (near 2x) as it issues additional new money bonds to complete the debt financing of its large capital improvement program.

Key credit strengths, in our opinion, are:

- The system's role as a regional urban infrastructure provider, with critical transportation links in northern Illinois that include the deep and diverse Chicago MSA, despite the existence of free alternatives;
- DSC and debt-to-net revenue that we expect will be maintained at levels we consider strong (near 2x) and very strong (below 10x), respectively, supported by generally favorable traffic volumes, toll rate increases, and good revenue diversity with commercial vehicles and passenger cars currently accounting for about 52% and 48% of total toll revenues, respectively;
- Exceptional liquidity, with unrestricted cash reserves totaling near 1,000 days' cash on hand for 2017-2021 (averaging 1,082 days, audited) and 2022 (969 days, audited) that we expect will remain so because the ISTHA intends to fund its capital program from current toll revenues and revenue bond proceeds with no material draw from unrestricted cash reserves; and
- ISTHA's very strong management and governance, reflecting the authority's history of meeting or exceeding most operational and financial goals, detailed financial forecasting that is updated frequently to address material variances, and a very capable staff that has considerable experience operating a regional tolling agency.

These credit strengths, in our view, are somewhat offset by significant ongoing capital needs, requiring about \$1.5 billion of additional debt in 2024 and 2025 to complete the debt financing of the MIP, which could increase ISTHA's debt service requirements about 30% from 2022 to 2026.

Environmental, social, and governance

We analyzed ISTHA's environmental, social, and governance risks relative to its market position, management and governance, and financial performance and determined that all are neutral in our credit rating analysis.

Outlook

The stable outlook reflects our assessment of the high and relatively price-inelastic demand for authority facilities during our two-year outlook period, allowing ISTHA the flexibility to raise tolls as needed to ensure continued strong financial performance.

Downside scenario

We could lower the rating over the two-year outlook period if ISTHA's traffic volume is significantly lower than forecast or the authority materially draws down its unrestricted cash reserves to fund capital needs.

Upside scenario

Although unlikely, we could raise the rating in the next two years if we believe ISTHA can maintain S&P Global Ratings-calculated DSC near 2x, debt-to-net revenue below 5x, and days' cash above 800 days on hand, as it finances its capital needs.

(For more information, see our full analysis on Illinois State Toll Highway Authority published Dec. 11, 2023, on

RatingsDirect.)

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- U.S. Not-For-Profit Transportation Infrastructure 2022 Medians: Demand Recovery And Management Actions Powered A Financial Rebound, Oct. 18, 2023.

Ratings Detail (As Of December 11, 2023)		
Illinois St Toll Hwy Auth (BAM) (SECMKT) <i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
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Many issues are enhanced by bond insurance.

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