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**Funding the *Move Illinois* Program:  
The 2014 Series B Bonds and  
Updating the Debt Management Guidelines**

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May 14, 2014

# Bond Pricing and Debt Management Updates

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- ▶ **Series 2014B pricing results**
- ▶ **Matters related to debt management guidelines and interest rate risk management**
  - ▶ Diversification of liquidity providers
  - ▶ Limit on amount of variable rate bonds
  - ▶ Minor technical/cleanup clarifications and edits

# Series 2014B Bonds

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- ▶ **Rating agencies confirmed Tollway ratings in late April**
  - ▶ Fitch: "AA-" with stable outlook
  - ▶ Moody's: "Aa3" with stable outlook
  - ▶ S&P: "AA-" with stable outlook
  
- ▶ **2014 Series B is the second new-money bond issuance to finance a portion of the *Move Illinois* Capital Program**
  
- ▶ **Led by two senior managing underwriters on behalf of a nine-firm underwriting group; Tollway assisted by two financial advisors**



# Series 2014B Bonds

- ▶ Yields improved through the marketing and sale period, including by 5-10 basis points on the date of sale

Yield Spread to the Municipal Market Data (MMD) "AAA" Index

Maturity (Jan 1)	Principal (000s)	Coupon	Pre-Marketing 5/6/2014			Preliminary Pricing 5/7/2014			Final Pricing 5/7/2014			Movement Pre-Marketing to Final Wire
			Yield	MMD	Spread	Yield	MMD	Spread	Yield	MMD	Spread	
2026	7,300	5.00%	3.10%	2.50%	0.60%	3.04%	2.49%	0.55%	2.94%	2.49%	0.45%	0.16%
2027	9,100	5.00%	3.24%	2.61%	0.63%	3.15%	2.60%	0.55%	3.05%	2.60%	0.45%	0.19%
2028	9,100	5.00%	3.37%	2.72%	0.65%	3.26%	2.71%	0.55%	3.16%	2.71%	0.45%	0.21%
2029	8,100	5.00%	3.46%	2.81%	0.65%	3.36%	2.79%	0.57%	3.26%	2.79%	0.47%	0.20%
2030	7,700	5.00%	3.54%	2.89%	0.65%	3.47%	2.87%	0.60%	3.37%	2.87%	0.50%	0.17%
2031	7,700	5.00%	3.62%	2.97%	0.65%	3.55%	2.95%	0.60%	3.48%	2.95%	0.53%	0.14%
2032	12,900	5.00%	3.70%	3.05%	0.65%	3.63%	3.03%	0.60%	3.56%	3.03%	0.53%	0.14%
2033	14,900	5.00%	3.77%	3.12%	0.65%	3.70%	3.10%	0.60%	3.65%	3.10%	0.55%	0.12%
2034	16,900	5.00%	3.83%	3.18%	0.65%	3.76%	3.16%	0.60%	3.71%	3.16%	0.55%	0.12%
2035	16,700	5.00%	3.89%	3.24%	0.65%	3.82%	3.22%	0.60%	3.77%	3.22%	0.55%	0.12%
2036	85,500	5.00%	3.94%	3.29%	0.65%	3.87%	3.27%	0.60%	3.82%	3.27%	0.55%	0.12%
2037	89,800	5.00%	3.98%	3.33%	0.65%	3.91%	3.31%	0.60%	3.85%	3.31%	0.54%	0.13%
2038	94,300	5.00%	4.01%	3.36%	0.65%	3.94%	3.34%	0.60%	3.87%	3.34%	0.53%	0.14%
2039	120,000	5.00%	4.04%	3.39%	0.65%	3.97%	3.37%	0.60%	3.89%	3.36%	0.53%	0.15%

# Series 2014B Bonds

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- ▶ **\$500 million of bonds successfully sold on May 7**
  - ▶ Settlement/funding expected on June 4
  - ▶ Timing of sale advantageous due to limited supply
  - ▶ Tollway bonds continue to attract widespread interest from investors
  
- ▶ **Bonds sold with 5 percent interest rate**
  
- ▶ **Bond yield 3.8 percent to call date; 4.3 percent to maturity**
  - ▶ Call date January 1, 2024
  - ▶ Assumed yield to maturity in 2014 Budget was 5.0 percent
  
- ▶ **\$546.8 million of proceeds generated for *Move Illinois* costs (\$516.2 million) and deposit to debt reserve (\$30.6 million)**

# Update Debt Management Guidelines

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- ▶ **Key Update #1 – Diversification of liquidity providers**
  - ▶ Current liquidity providers shown on following page
  - ▶ Option 1: Limitation on percent of total liquidity provided
  - ▶ Option 2: Limit of the greater of percent of the total par amount of variable rate bonds requiring liquidity and (ii) \$300 million
  
- ▶ **Key Update #2 – Variable versus fixed rate bonds**
  - ▶ Including Series 2014B, the percentage of variable rate has declined from 39 percent in 2010 to 27 percent currently (see following page)
  - ▶ Continue with targeted variable rate limit of 25 percent of total?
  - ▶ Percentage will decline below 25 percent in 2015, assuming late 2014 and 2015 bond issuances are fixed rate

# Update Debt Management Guidelines

## ▶ Current liquidity provider profile

<u>Series</u>	<u>Amount (%)</u>	<u>Liquidity and/or Credit Provider</u>	<u>Expiration</u>
1998B	\$123.1M (9%)	Landesbank Hessen-Thüringen Girozentrale	1/03/2017
2007A-1a	\$175.0M (13%)	Citibank, N.A.	1/31/2017
2007A-1b	\$175.0M (13%)	Mizuho Bank, Ltd.	3/18/2016
2007A-2a	\$100.0M (8%)	The Bank of Tokyo-Mitsubishi	3/17/2017
2007A-2b	\$107.5 M (8%)	Harris N.A.	3/18/2017
2007A-2c	\$55.0 M (4%)	The Northern Trust Company	3/17/2017
2007A-2d	\$87.5 M (7%)	Royal Bank of Canada	3/17/2017
2008A-1a	\$191.5 M (15%)	JPMorgan Chase Bank, N.A.	2/05/2016
2008A-1b	\$191.6 M (15%)	Bank of America, N.A.	2/05/2016
2008A-2	\$95.8 M (7%)	JPMorgan Chase Bank, N.A.	2/05/2016

- ▶ **Total Variable Rate = \$1,302,000,000 (27.4%)**
- ▶ **Total Fixed Rate = \$3,443,875,000 (72.6%)**
- ▶ **Total = \$4,745,875,000**

# Update Debt Management Guidelines

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- ▶ **Other Updates – minor technical /cleanup items**
  - ▶ **Incorporate certain Dodd-Frank provisions**
    - ▶ Municipal Advisor registration requirements
    - ▶ Swap agreement protocols and swap counterparty communication requirements (qualified independent representatives, safe harbor letters)
  - ▶ **Clarify that issuer's counsel and disclosure counsel are included among roles for which the legal counsel pool pre-qualifies firms**
  - ▶ **Incorporate post-issuance compliance procedures**
  - ▶ **Update certain job titles and committee names**
  - ▶ **Commit to a review guidelines biennially**
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**THANK YOU**

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