

RatingsDirect®

Summary:

Illinois State Toll Highway Authority; Joint Criteria; Toll Roads Bridges

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Credit Profile

US\$490.0 mil toll hwy sr rev bnds ser 2018A dtd 12/11/2018 due 01/01/2031

Long Term Rating

AA-/Stable

New

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to the Illinois State Toll Highway Authority's (ISTHA or the authority) pro forma \$490 million series 2018 revenue refunding bonds. At the same time, S&P Global Ratings affirmed its 'AA-' rating on the ISTHA's toll highway senior revenue bonds outstanding. S&P Global Ratings also affirmed its 'AA+/A-1' rating on each of the subseries of the authority's series 2007A variable-rate demand obligations bonds. The ratings for the series 2007A bonds are based on the application of our joint criteria with low correlation. The outlook is stable.

The ratings reflect the application of S&P Global Ratings updated rating criteria, "U.S. And Canadian Not-For-Profit Transportation Infrastructure Enterprises", published March 12, 2018.

The ratings reflect the combination of the authority's very strong enterprise risk profile, very strong financial risk profile and significant near term debt needs. Our enterprise risk profile assessment incorporates the ISTHA's strong traffic trends (despite toll rate increases) due to its important role, strategic location, and lack of significant competition from toll-free roads. Our financial risk profile assessment considers the ISTHA's strong revenue growth from recent toll rate increases, favorable traffic trends due to its sizeable and resilient demand base historically that we expect to continue. This will allow the authority to maintain strong financial performance and a very strong capacity to manage its increasing debt service requirements, with level debt service not occurring until 2026.

The very strong enterprise risk profile reflects our view of the ISTHA's:

- Very strong market position due to the toll road's strong demand characteristics given its important role as a regional urban infrastructure provider, with critical transportation links in northern Illinois, which includes the deep and diverse Chicago metropolitan region, despite nontolled alternatives;
- Extremely strong service area economic fundamentals, which include favorable economic activity as measured by GDP per capita, a large population base, below-average expected population growth, and average unemployment levels;
- Low industry risk relative to that of other industries and sectors; and
- Very strong management and governance, reflecting the authority's history of meeting or exceeding most operational and financial goals; detailed financial forecasts that management updates frequently to address material variances; and a very capable staff that has considerable experience operating a statewide tolling agency.

The very strong financial risk profile reflects our view of the ISTHA's:

- Strong financial performance that we expect to continue. This is because of the authority's history of strong revenue growth from its willingness and ability to increase toll rates, including implementation of annual inflation-based increases on commercial vehicles, and the toll road's favorable traffic trends that, in our view, will allow the ISTHA to maintain total debt service coverage (DSC; S&P Global Ratings-calculated) at or near 2x;
- Very strong debt and liabilities capacity that we expect will continue as the authority counters rising debt service requirements from additional near-term borrowings with additional revenue from toll increases, ensuring that its capacity to service its debt will not diminish; and
- Very strong liquidity and financial flexibility. We base this on our expectation that the ISTHA's liquidity position--1,125 days' cash on hand and 20% of debt in fiscal 2017--will remain near current levels as the authority plans to cash fund portions of its capital improvement plan, which will include the drawing down of unrestricted reserves, offset by added annual excess cash flow.

Tollway system net revenues secure the bonds. Post-issuance, the ISTHA will have \$6.1 billion of revenue bonds outstanding, of which \$1.2 billion (19%) is variable-rate and synthetically fixed.

The remaining debt is fixed-rate. The authority has no junior-lien debt. Overall, we view the bond provisions as credit neutral. They include a 1.3x rate covenant and an additional bonds test that calls for net revenues at least at the rate covenant for 12 consecutive months of the most recent 18; any toll adjustments within the 12 months preceding the bond issuance may be retroactively applied to the full 12-month period.

Bond proceeds will refund (i) a portion of the ISTHA's series 2009A bonds for estimated interest savings, and (ii) a portion of the ISTHA's outstanding synthetic fixed rate bonds (series 2007A, 2008A), as well as to make a deposit to the debt reserve fund as necessary and pay the costs of issuance.

The Illinois Tollway, governed by an 11-member board of directors, operates 294 miles of interstate tollways for 12 counties in northern Illinois, including the greater Chicago area. The system comprises five major routes: Tri-State Tollway (Interstate 294/94/80), Jane Addams Memorial Tollway (Interstate 90), Ronald Reagan Memorial Tollway (Interstate 88), Veterans Memorial Tollway (Interstate 355), and the recently opened Illinois Route 390. The Tri-State accounts for about 46% of system revenues and about 45% of system transactions, while the remaining three (not including the recently opened Illinois Route 390) are about evenly split.

Outlook

The stable outlook reflects our expectation that the ISTHA will continue to manage its operations and capital program effectively, while maintaining DSC levels near 2x. We do not expect to raise or lower the rating in the next two years.

Upside scenario

We consider it unlikely that we will raise the rating within the two-year outlook period, given the authority's significant additional debt needs.

Downside scenario

Although we also don't expect it, we could lower the rating during the outlook period if the ISTHA's DSC or liquidity falls materially below our expectations.

For more information, see the full analysis published Nov. 15, 2018.

Ratings Detail (As Of November 15, 2018)		
Illinois St Toll Hwy Auth		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Illinois St Toll Hwy Auth toll hwy var rate sr priority rev bnds ser 2007-A1A dtd 11/01/2007 rmktd dtd 3/18/2011 due 07/01/2030		
<i>Long Term Rating</i>	AA+/A-1	Affirmed
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Illinois St Toll Hwy Auth toll rds br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Illinois St Toll Hwy Auth toll rds br (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Illinois St Toll Hwy Auth JOINTCRIT		
<i>Long Term Rating</i>	AA+/A-1	Affirmed
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Illinois St Toll Hwy Auth (AGM)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Illinois St Toll Hwy Auth (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Illinois State Toll Highway Authority Variable rate sr priority rev bnds ser 2007-A2c		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AA+/A-1	Affirmed
Illinois State Toll Highway Authority, Variable Rate Senior Priority Revenue Bonds, Series 2007 A-2B		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AA+/A-1	Affirmed
Illinois St Toll Hwy Auth toll hwy sr priority VRDB 2008A1-A2		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AA/A-1/Stable	Affirmed
State Toll Highway Authority, Variable Rate Senior Priority Revenue Bonds, Series 2007 A-1B		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AA+/A-1	Affirmed
State Toll Highway Authority, Variable Rate Senior Priority Revenue Bonds, Series 2007 A-2D		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AA+/A-1	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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