

State of Illinois



INVESTOR PRESENTATION

BUILD ILLINOIS BONDS (SALES TAX REVENUE BONDS)

JUNIOR OBLIGATION SERIES OF OCTOBER 2018

\$115,000,000* TAX-EXEMPT SERIES A

\$125,000,000* TAX-EXEMPT SERIES B

\$10,000,000* TAXABLE SERIES C

October 5, 2018



* Preliminary, subject to change.

Disclaimer

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This electronic presentation can be found at MuniOS.com, [<http://roadshow.munios.com/rs/Y4FJR>], this link expires on October 16, 2018

The Preliminary Official Statement for this issue can be found at <https://emma.msrb.org/> under CUSIP 452227

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Section I. Transaction Overview

Financing Overview: Junior Obligation Series of October 2018

Financing Overview	
Estimated Size	Series A: \$115,000,000 Series B: \$125,000,000 Series C: \$10,000,000
Use of Proceeds	The Series of October 2018 Bonds are being issued to finance projects under the State's capital program and to pay costs of issuance
Tax Status	Series A: Tax-Exempt Series B: Tax-Exempt Series C: Taxable
Coupon	Fixed rate
Amortization	Level principal structure commencing June 15, 2019
Interest Payment Dates	June 15 and December 15 commencing June 15, 2019
Redemption Features	Series A: Optional redemption on or after 6/15/2028* at par Series B: Optional redemption on or after 6/15/2028* at par Series C: Not subject to prior redemption
Security and Repayment Source	Series A: State share of sales tax revenue Series B: State share of sales tax revenue and capital projects fund Series C: State share of sales tax revenue and capital projects fund
Ratings (S&P/Fitch/Kroll)	(AA-/A-/AA+)
Sale Date	Series A: October 16, 2018 bids will be received until 9:30AM CDT Series B: October 16, 2018 bids will be received until 10:00AM CDT Series C: October 16, 2018 bids will be received until 11:00AM CDT
Closing Date	Thursday, November 1, 2018

\$250,000,000 State of Illinois Build Illinois Bonds (Sales Tax Revenue Bonds) Tax-Exempt Series A and B & Taxable Series C Series 2018			
Maturity (June 15)	Series A Par Amount*	Series B Par Amount*	Series C Par Amount*
2019	4,600,000	5,000,000	1,000,000
2020	4,600,000	5,000,000	1,000,000
2021	4,600,000	5,000,000	1,000,000
2022	4,600,000	5,000,000	1,000,000
2023	4,600,000	5,000,000	1,000,000
2024	4,600,000	5,000,000	1,000,000
2025	4,600,000	5,000,000	1,000,000
2026	4,600,000	5,000,000	1,000,000
2027	4,600,000	5,000,000	1,000,000
2028	4,600,000	5,000,000	1,000,000
2029	4,600,000	5,000,000	
2030	4,600,000	5,000,000	
2031	4,600,000	5,000,000	
2032	4,600,000	5,000,000	
2033	4,600,000	5,000,000	
2034	4,600,000	5,000,000	
2035	4,600,000	5,000,000	
2036	4,600,000	5,000,000	
2037	4,600,000	5,000,000	
2038	4,600,000	5,000,000	
2039	4,600,000	5,000,000	
2040	4,600,000	5,000,000	
2041	4,600,000	5,000,000	
2042	4,600,000	5,000,000	
2043	4,600,000	5,000,000	
Total	115,000,000	125,000,000	10,000,000

- Preliminary, subject to change.
- *BIBRI – is the Build Illinois Retirement and Interest Fund

Build Illinois Bond Program Overview

Build Illinois Program Basics

- The Build Illinois program, including the Build Illinois Bond Act (the “Act”) was enacted by the Illinois General Assembly in 1985. It expands the State’s overall efforts in economic development by funding state and local public infrastructure, economic development, education and environmental projects.
- Pursuant to the Act, the Build Illinois program is authorized to issue up to \$6.246 billion of Bonds, exclusive of Refunding Bonds.
- The State has issued \$5.611 billion Bonds since the Build Illinois program was initiated and \$2.272 billion Bonds are currently outstanding.

Key Strengths of the Build Illinois Bond Program

The Build Illinois program is characterized by the following:

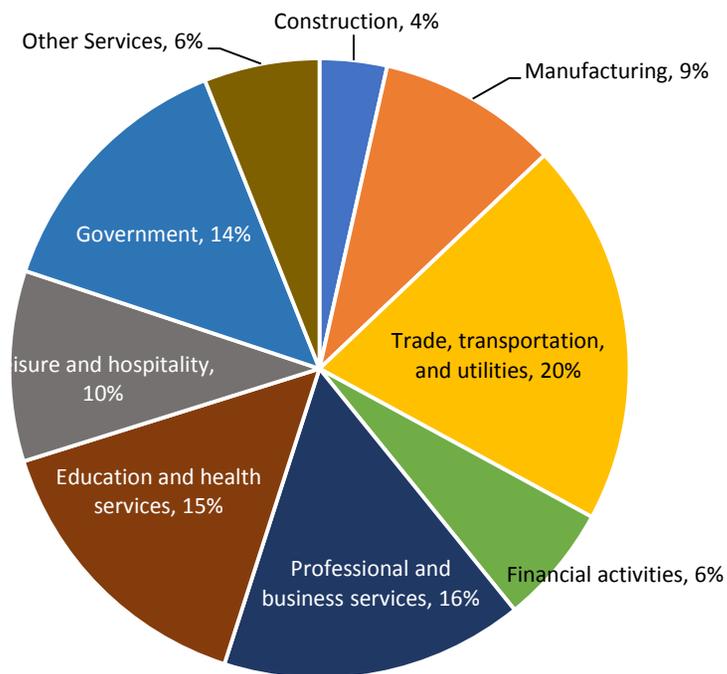
- Conservative debt portfolio that is 100% fixed rate and amortizes rapidly.
- Strong Security and Repayment Sources.
- Irrevocable and Continuing Debt Service Appropriation.
- High Debt Service Coverage of approximately 27x Maximum Annual Debt Service (“MADS”) in FY 2018.
- Limiting Additional Bonds Test requiring 20x coverage of MADS for all Senior Bonds and 10.2x coverage of MADS for all Senior and Junior Bonds.

Section II. Economic Drivers for Sales Tax Performance

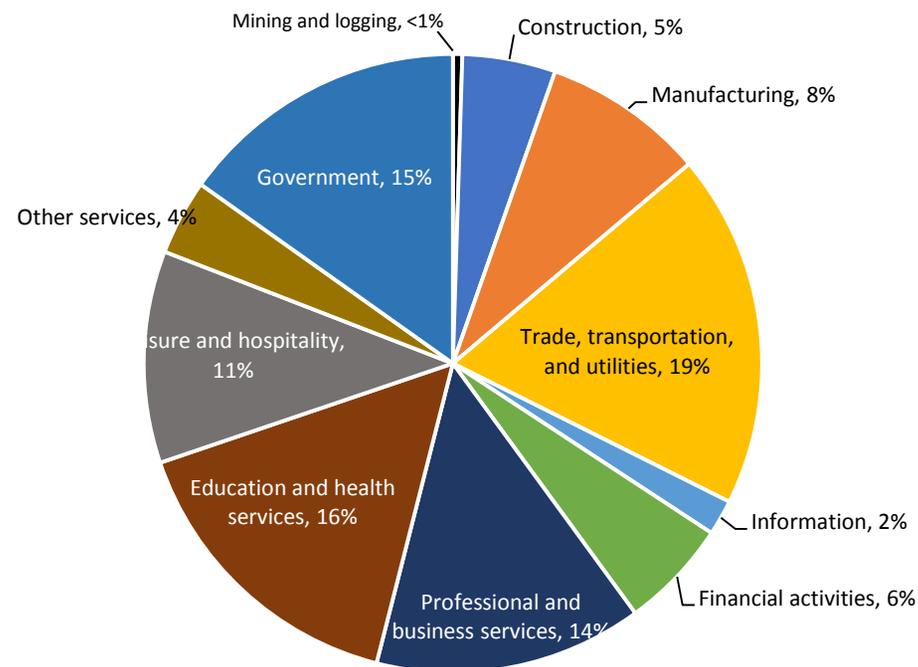
Illinois Benefits from a Diverse and Resilient Economy

- Diverse economy includes every major industry segment: trade, transportation, utilities, government, education and health services, professional and business services, leisure and hospitality, and manufacturing.
 - No single industry accounts for more than 20%
 - Robust industry base cushions the State from employment declines in any one area
- The State's economy mirrors the broader U.S. economy and is well positioned for long-term stability through economic cycles.

State of Illinois MSA Non-Farm Payroll Jobs by Industry¹



U.S. Non-Farm Payroll Jobs by Industry



1. Other Services includes mining and lodging, information and other services

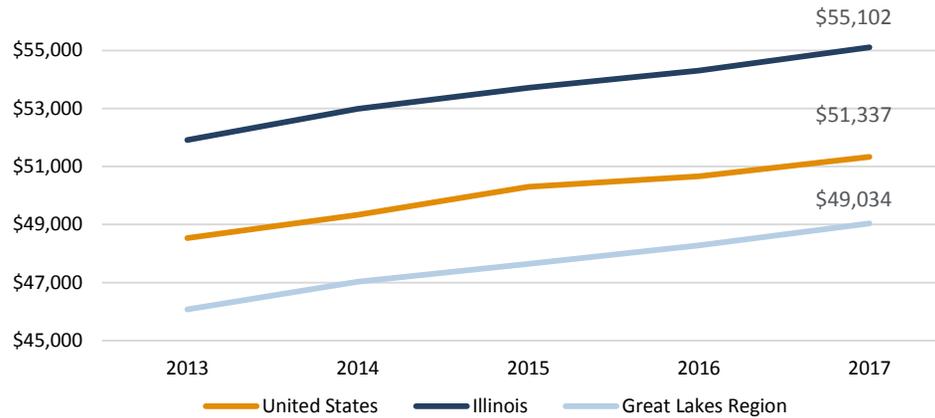
Source: Bureau of Labor Statistics

Note: State of Illinois Non-Farm Payroll Jobs by Industry is as of Nov. 2016 & U.S. Non-Farm Payroll Jobs by Industry is as of June 2018

Illinois is the Economic Leader of the Midwest and Continues to Grow

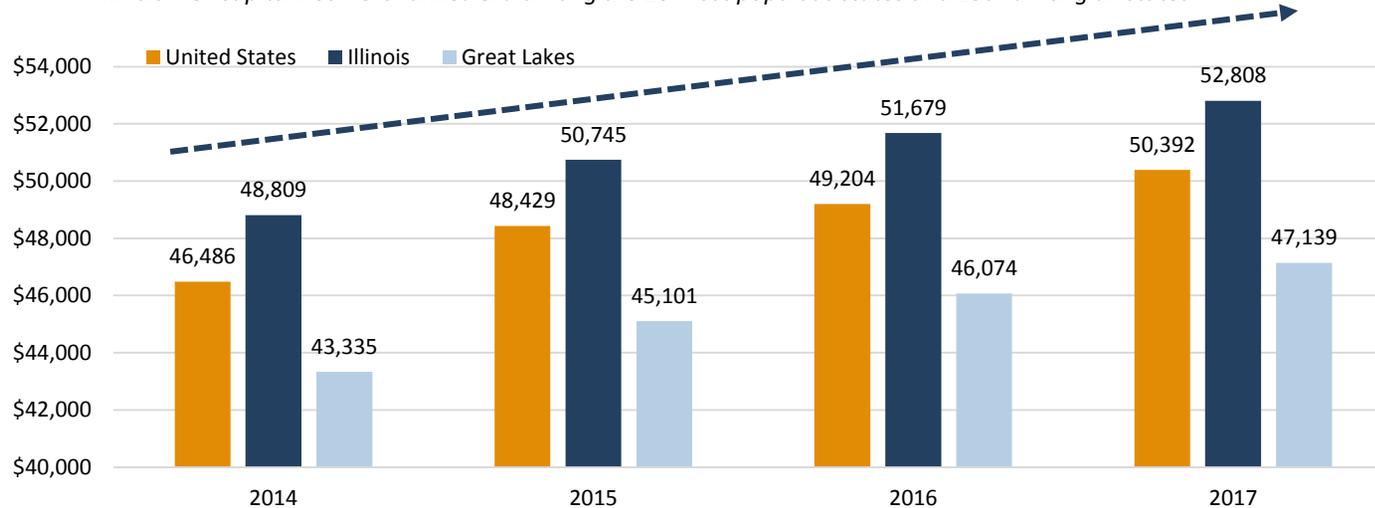
Upward Trend in Illinois Real GDP Per Capita¹

Illinois outperforms the U.S. and Great Lakes Region in terms of Real GDP



Per Capita Personal Income²

Illinois' Per Capita Income is ranked 3rd among the 10 most populous states and 15th among all states



Source: U.S. Department of Commerce, U.S. Census Bureau; Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics

1. 2009 Chained Dollars

2. Great Lakes Per Capita Personal Income consists of Illinois, Wisconsin, Ohio, Michigan and Indiana

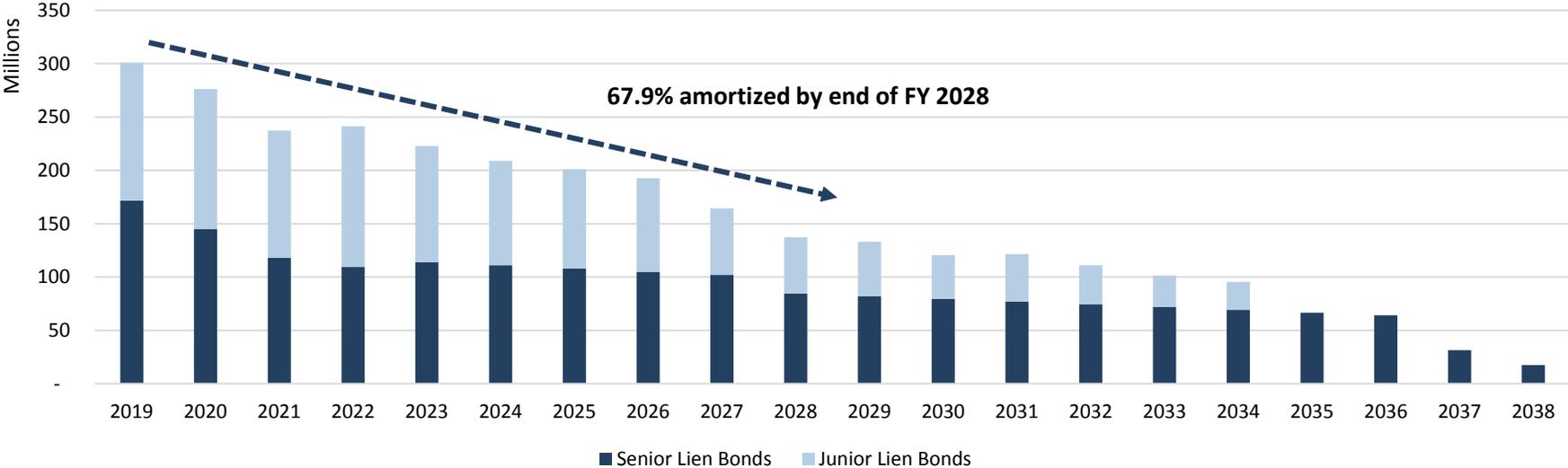
Section III. Credit and Security Structure

Conservative Debt Portfolio

- The State has issued \$5.611 billion Bonds since the Build Illinois program was initiated. Prior to the issuance of the Series 2018 Bonds, \$2.272 billion in principal is currently outstanding, consisting of:
 - \$1.302 billion Senior Lien Bonds
 - \$0.970 billion Junior Lien Bonds

The State's Build Illinois debt portfolio is entirely fixed rate

Build Illinois Bonds Existing Fiscal Year Debt Service¹



^{1.} Before issuance of the Bonds.

Security Pledged to the Bonds

BONDS ARE SECURED BY A FIRST AND PRIORITY PLEDGE AND LIEN

- Pursuant to Section 12 of the Build Illinois Bond Act, the Bonds are secured by an irrevocable, first priority pledge of and lien on monies on deposit in the Build Illinois Bond Retirement and Interest Fund (“BIBRI”), a separate fund in the State Treasury.
- The State Share of Sales Tax Revenues constitutes a primary source of payment for debt service on the Bonds.
 - The Sales Tax Acts currently impose Sales Taxes at a unified State and local rate of 6.25%, consisting of a 5.00% State rate portion (representing 80% of collections) and a 1.25% local rate portion (representing 20% of collections)
 - The 80% portion, or the 5.00% tax, is the State Share of Sales Tax Revenues¹ and is included in Revenues subject to a first and prior claim and charge for payment of the Bonds

FIRST AND PRIOR CLAIM ON SALES TAX REVENUES

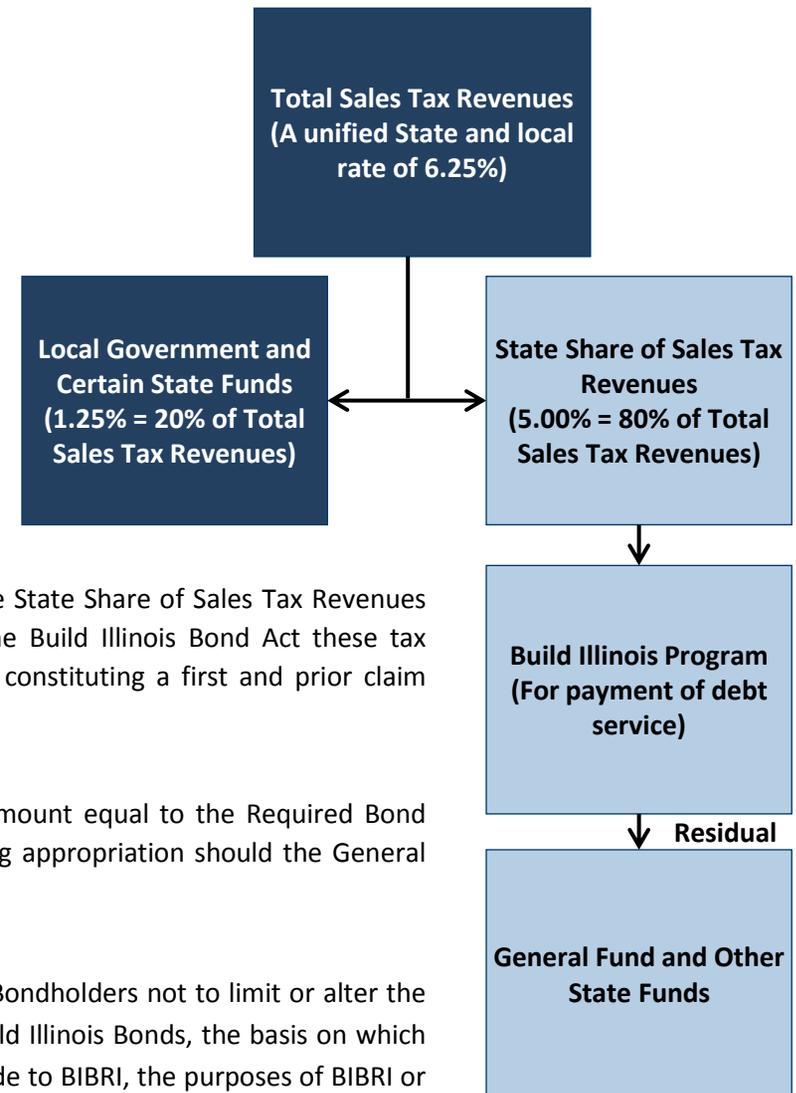
- Transfers to the Build Illinois Bond Retirement and Interest Fund are funded from the State Share of Sales Tax Revenues and moneys deposited into the Capital Projects Fund. Pursuant to Section 12 of the Build Illinois Bond Act these tax revenues and other moneys are pledged to make such transfers with “such pledge constituting a first and prior claim against and charge on such tax revenues and other moneys.”

CONTINUING AND IRREVOCABLE ANNUAL APPROPRIATION

- Pursuant to the Act, the State is required to make an annual appropriation of an amount equal to the Required Bond Transfer (see next slide for details). The Act constitutes an irrevocable and continuing appropriation should the General Assembly fail to make an annual appropriation.

STRONG NON-IMPAIRMENT LAW AND COVENANTS

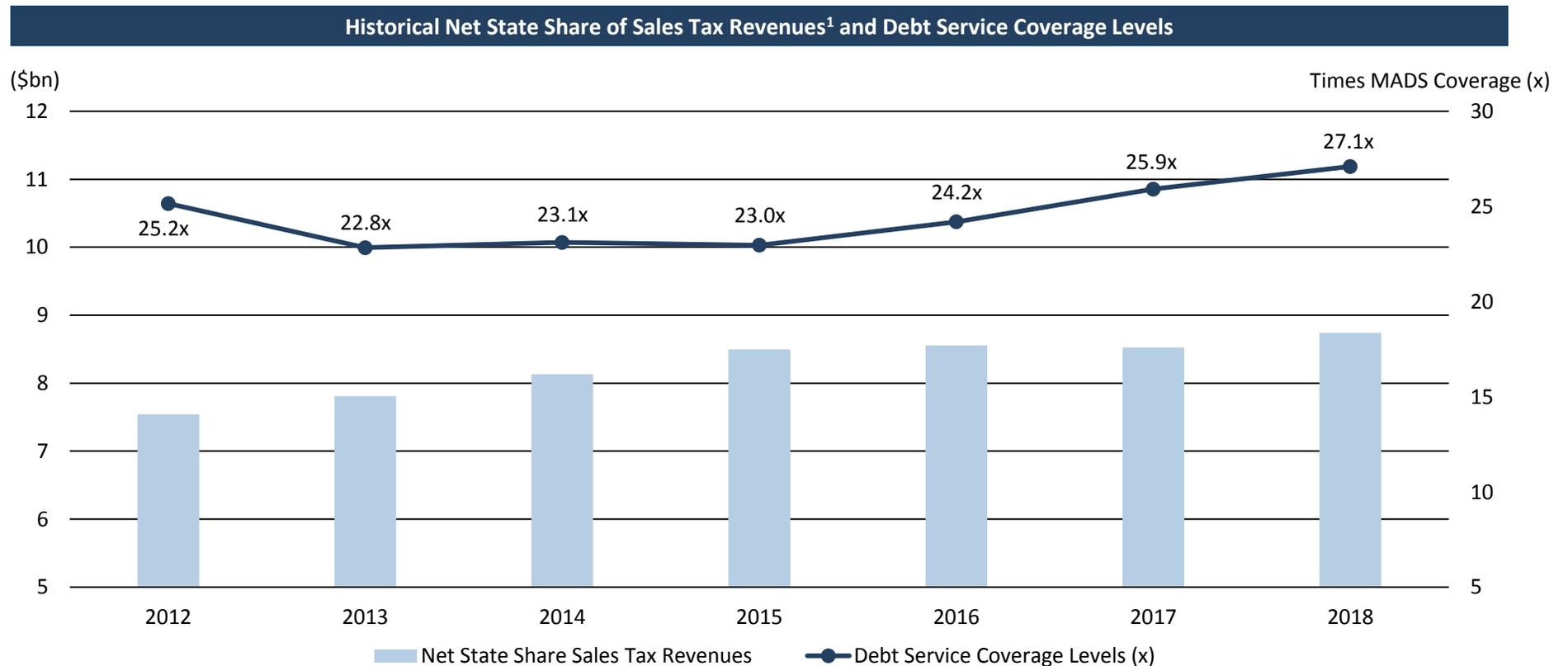
- Under Section 14 of the Act and the Indenture, the State irrevocably covenants with Bondholders not to limit or alter the basis on which taxes and revenues are required to be collected and deposited for Build Illinois Bonds, the basis on which transfers of amounts credited to the Build Illinois Bond Account are required to be made to BIBRI, the purposes of BIBRI or the provisions of certain sections of the Act or the State Finance Act so as to impair the obligations of the contract incurred by the State in favor of the holders of the Bonds.



1. Excluding the 6.25% incremental portion of the Sales Taxes from the sale of candy, grooming and hygiene products, and soft drinks currently taxed at 6.25%, as increased from the pre-September 1, 2009 rate of 1.00%, which incremental portion is deposited into the Capital Projects Fund for the payment of Bonds, including the Series of October 2018 Bonds, issued pursuant to the Capital Projects Fund Legislation. Also excluded are receipts from sales of sorbents, which are deposited into the Clean Air Act Permit Fund and \$6 million which is deposited annually into the State Crime Laboratory Fund.

Strong Historical Sales Tax and Debt Service Coverage Performance

- Overall, State Sales Tax Revenues have been trending upward since FY2012.
- Debt Service coverage has ranged from a low of 22.8x to a high of 27.1x over the past 7 years.



State Share of Sales Tax Revenues has averaged \$8.3 billion over the past 7 years²

1. MADS coverage ratio is based on historic cash flows, not the additional bonds formula.
 2. Source: Preliminary Official Statement for fiscal years 2012-2018.

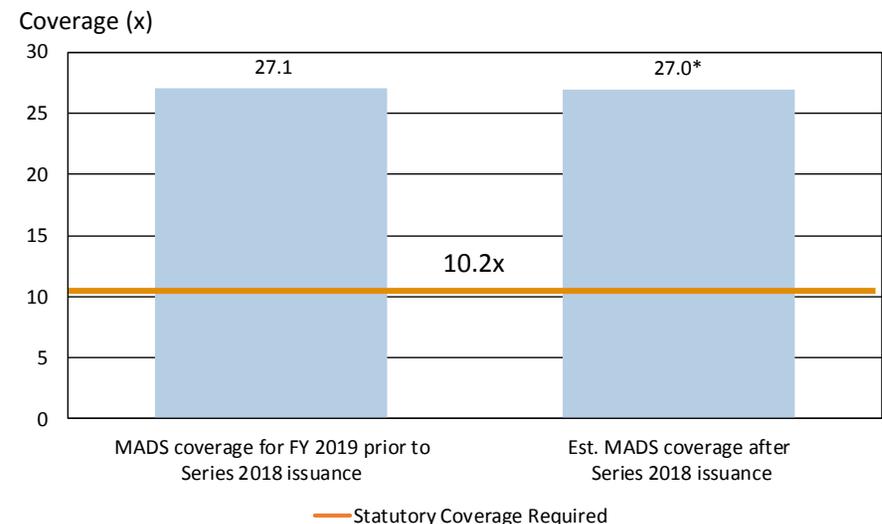
Build Illinois Additional Bonds Test and Debt Service Coverage Levels

- To issue additional Senior Bonds, the State must demonstrate that:
 - The maximum Net Debt Service Requirement for **all Senior Bonds**, post issuance of the new debt, will not exceed 5% of the State Share of Sales Tax Revenues (e.g. at least 20x coverage) and that the Debt Service Reserve Fund will be fully funded within 24 months
- To issue additional Junior Obligation Bonds, the State must demonstrate that:
 - The maximum Net Debt Service Requirement for **all Senior Bonds and the Junior Annual Debt Service**, post issuance of the new debt, will not exceed 9.8% of the State Share of Sales Tax Revenues (e.g. at least 10.2x coverage)

Debt Service Coverage Ratio Before Series 2018 Bonds

- Current MADS Coverage for all outstanding Senior Bonds: **50.9x**
- Current MADS Coverage for all outstanding Bonds (both Senior Bonds and Junior Obligations): **27.1x**

Estimated MADS Coverage After Series 2018 Issuance¹



1. Estimated coverage based upon FY 2018 Net State Share of Sales Tax Revenues.

* Preliminary, subject to change.

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget.

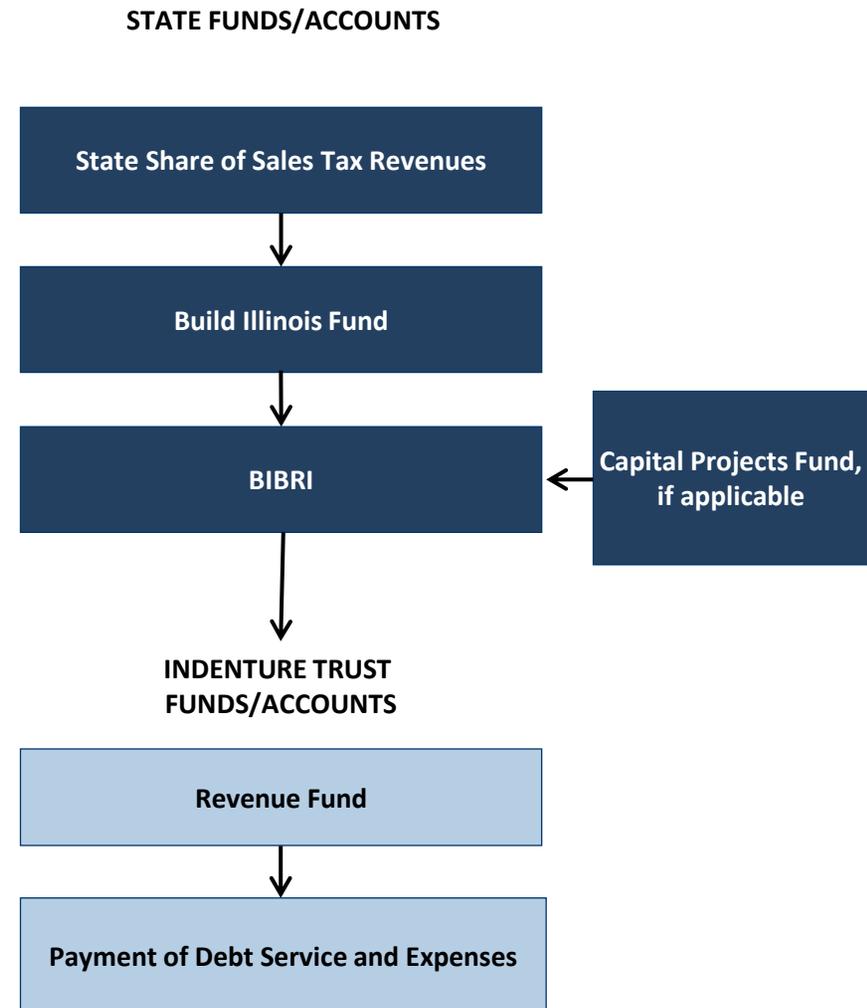
Build Illinois Flow of Funds

REQUIRED BOND TRANSFER AMOUNT

- Each month, funds are transferred from the Build Illinois Fund to BIBRI in an amount equal to the **greater of** 1/12th of 150% of the Certified Annual Debt Service Requirement; or the Tax Act Amount (which is equal to 3.8% of the State Share of Sales Tax Revenues) provided that such transfers from the Build Illinois Fund for any such fiscal year do not exceed the greater of Certified Annual Debt Service Requirement or the Tax Act Amount.
 - Transferring 1/12th of 150% effectively requires transferring at least 1/8th of 100% of the Transfer Amount each month so that **100% of the annual required amount is deposited during the first eight months of each Fiscal Year**
 - Since 2008, the Tax Act Amount has been the greater of the two transfer amounts
- For payment of Bonds issued pursuant to P.A. 96-36, 96-1554, and 98-94 (including the Series of October 2018 Bonds Series B & C), the Capital Projects Fund is the first source of transfers to BIBRI, before money is transferred from the Build Illinois Bond Account.

REQUIRED BOND TRANSFER MECHANISM

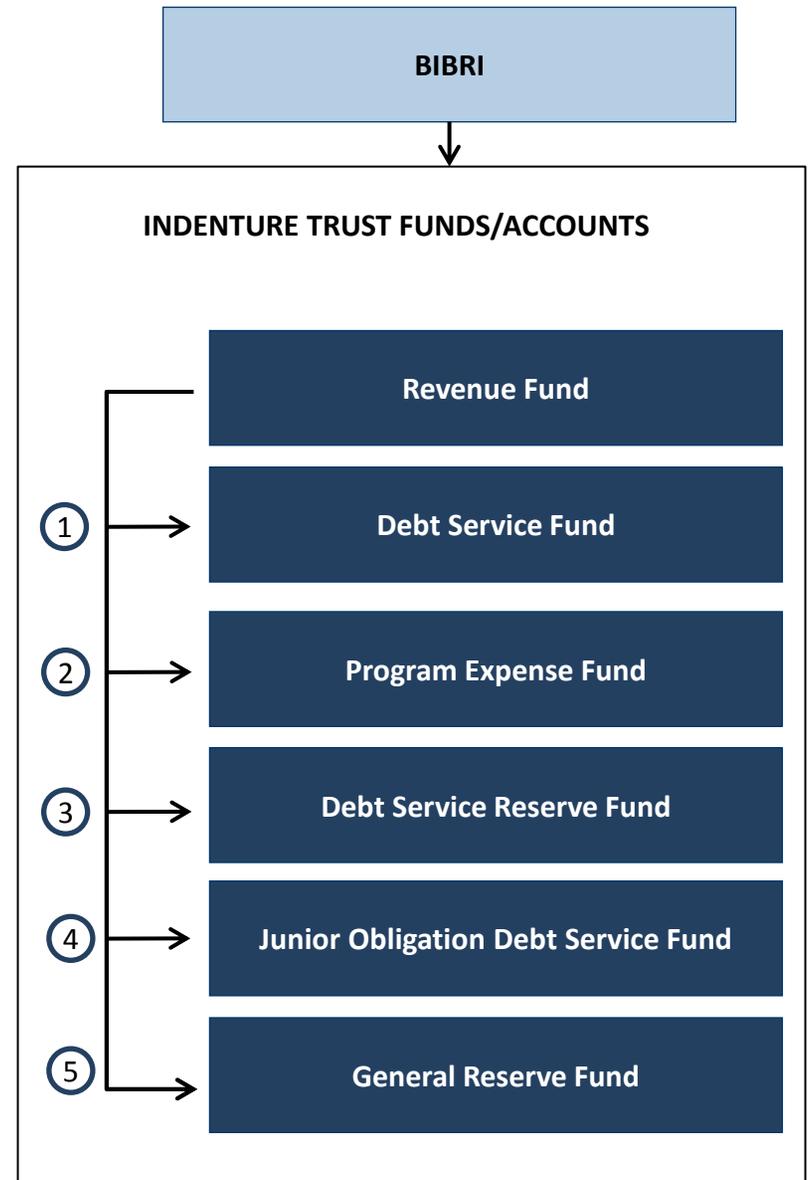
- The Treasurer and the Comptroller are required on the last day of each month to make the monthly transfer of the Required Bond Transfer Amount in the Retirement and Interest Fund to the Trustee for deposit in the Revenue Fund.
- On the first day of each month, amounts held in the Revenue Fund are then applied by the Trustee as per the Indenture flow of funds.



Summary Build Illinois Indenture Flow of Funds – Funds Held by the Trustee

- The Indenture requires that the Trustee apply funds in the Revenue Fund in the following order:
 1. Monthly requirement for debt service on the Senior Bonds
 2. Required amount, if any, for Program Expenses
 - \$62,750 in Program Expenses were spent in FY 2017
 - \$63,300 in Program Expenses were spent in FY 2018
 3. Amount needed, if any, to replenish the Debt Service Reserve Fund for the benefit of Senior Bonds
 - The Debt Service Reserve Fund is fully funded and has never been drawn upon in the history of the Build Illinois program
 4. Monthly requirement for debt service on the Junior Obligations
 5. Remaining balance is applied to the General Reserve Fund; funds in the General Reserve Fund can, upon written request and subject to certain restrictions, be released to the State for its general purposes between June 15-30 of each year
- The Series of October 2018 Bonds are not secured by or payable from amounts on deposit in the Debt Service Reserve Fund.
- The Junior Obligations are secured by amounts on deposit in the Junior Obligation Debt Service Fund and the General Reserve Fund.

Please see SECURITY FOR THE SERIES OF OCTOBER 2018 BONDS – Indenture Flow of Funds, in the Preliminary Official Statement for a detailed description of the Indenture flow of funds.



Financing Schedule

October - 2018							November - 2018						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3
7	8	9	10	11	12	13	4	5	6	7	8	9	10
14	15	16	17	18	19	20	11	12	13	14	15	16	17
21	22	23	24	25	26	27	18	19	20	21	22	23	24
28	29	30	31				25	26	27	28	29	30	

Banking Holiday
 Sale Date
 Closing Date

Date	Task
October 16	Sale Date Series A: Bids will be received until 9:30AM CDT Series B: Bids will be received until 10:00AM CDT Series C: Bids will be received until 11:00AM CDT
November 1	Closing Date

**The State will be available on
 October 10, 2018 from 2pm-4pm and October 11, 2018 from 1pm-3pm (all times CDT)
 for one-on-one calls.**

**Please contact Phoebe Selden at pselden@acaciafin.com
 to set up one-on-one calls with State staff.**

Thank you for participating in this presentation.