

Illinois Credit Update

U.S. Public Finance

Speakers

Gabriel Petek, CFA

Managing Director, Sector Leader

Jessica Wood

Director, Lead Analyst

Jane Ridley

Senior Director, Sector Leader

Jennifer Boyd

Director, Lead Analyst

Carol Spain

Director, Lead Analyst

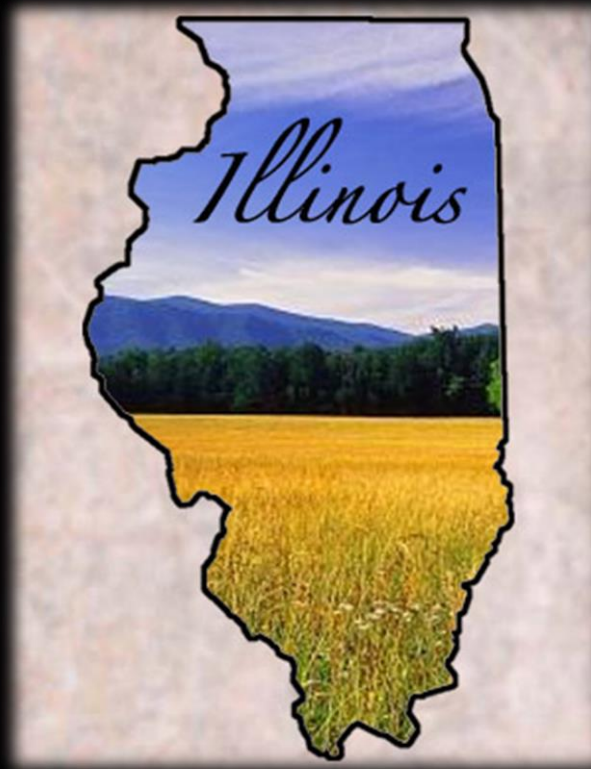
June 2017

S&P Global
Ratings

Moderator

Horacio Aldrete-Sanchez

Managing Director,
Lead Analytical
Manager



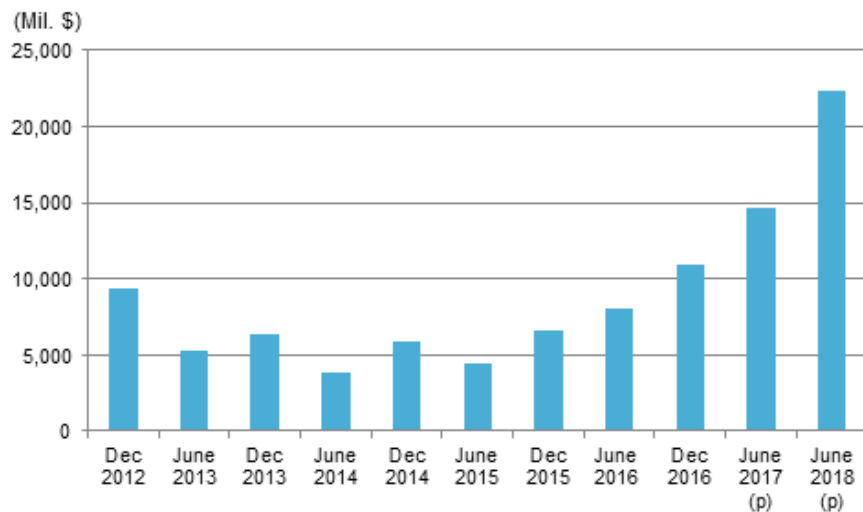
Recent Ratings Changes

| Debt Issuance | | From | | To |
|--|---|---------------|---|----------|
| General Obligation | → | BBB/Negative | → | BBB-/CWN |
| Moral Obligation | → | BB/Negative | → | BB-/CWN |
| Appropriation-backed | → | BBB-/Negative | → | BB+/CWN |
| Illinois Sports Facility Authority Bonds | → | BBB-/Negative | → | BB+/CWN |
| Metropolitan Pier Finance & Exposition Authority | → | BBB-/Negative | → | BB+/CWN |
| Build Illinois Sales Tax Revenue Bonds | → | AAA/Negative | → | AA-/CWN |

Ratings Pressures (GO)

- Structural budget deficit now projected > \$7 billion (18% of expenditures) in fiscal 2018
- Unpaid bills at equivalent of > 1/3 of annual general funds' expenditures
- Elevated fixed costs and depleted budget reserves → vulnerable fiscal pressure given economic contraction
- Exposure to stepped-up interest costs related to variable-rate debt and swap termination payments tied to rating triggers
- Distressed pension funding levels → will require substantial contribution increases in the coming years
- Inability to deliver adequate and timely funding for various important public services and institutions as a consequence of dysfunctional budget politics

Illinois Bills Backlog At Select Dates



Source: Governor's Office of Management and Budget. Estimates for June 2017 and June 2018 are based on autopilot spending trajectory. P--projected.

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Illinois: Public Universities

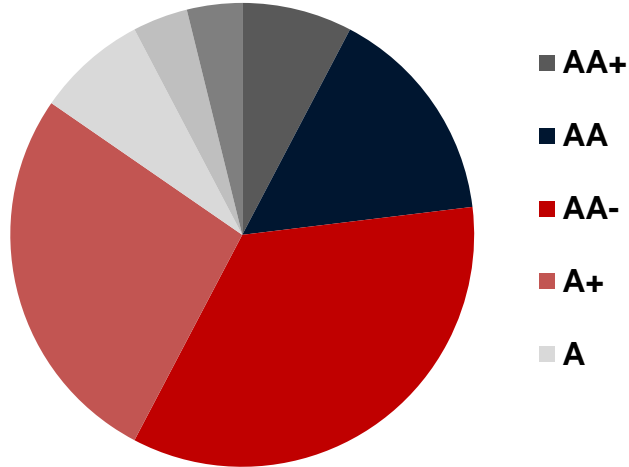
- S&P Global Ratings and Outlooks (as of June 7, 2017)

| | Current Rating/Outlook |
|----------------------------------|-------------------------------|
| University of Illinois | A- / Watch Negative |
| Illinois State University | A- / Watch Negative |
| Southern Illinois University | BB / Watch Negative |
| Governors State University | BB / Watch Negative |
| Western Illinois University | BB- / Watch Negative |
| Eastern Illinois University | B / Watch Negative |
| Northeastern Illinois University | B / Watch Negative |

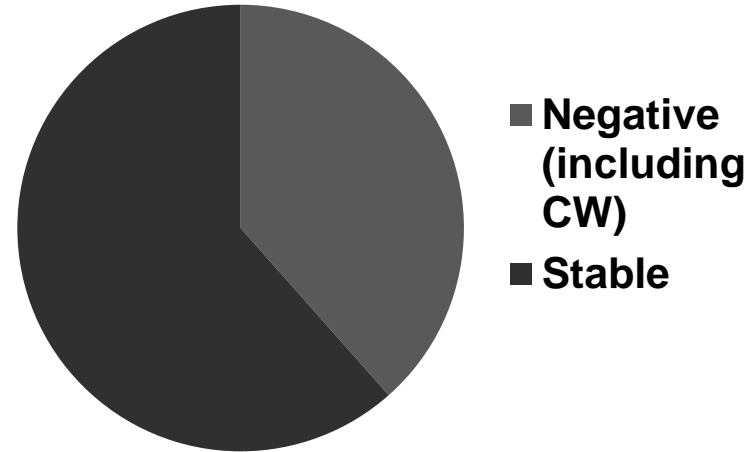
Illinois: Community College Districts

- S&P Global Ratings and Outlooks (as of June 6)

Ratings



Outlooks



Chicago: Ratings

- As of June 7, 2017

| | Current Rating/Outlook |
|--------------------|-------------------------------|
| General Obligation | BBB+/Stable |
| Sales Tax | AA/Stable |
| Motor Fuel Tax | BB+/CWN |

Chicago: Debt and Liability Profile

- (Adjusted expenditures, 2015 audited data)

| | Ratio |
|--|----------|
| Total Govt Funds Debt Service as % of Total Govt Exp | 10.5% |
| Pension ADC as % of Exp | 26.2% |
| OPEB PAYGO as % of Exp | 1.7% |
| Debt Service, Pension ADC, OPEB as % of Exp | 38.3% |
| Net Pension Liability Per Capita | \$12,427 |
| Direct Debt Per Capita | \$3,739 |
| Weighted Pension Funded Ratio* | 23% |

*Chicago contributes to four retirement plans, of which the largest include the Municipal Employees' Annuity and Benefit Fund (MEABF) and the Policeman's Annuity and Benefit fund (PABF).

Q&A

For more information, please visit:

<https://www.spratings.com/us-public-finance>

S&P Global Ratings

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