130 East Randolph
Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.: 1494707

August 22, 2017

Illinois Finance Authority
180 North Stetson, Suite 2555
Chicago, IL 60601
Attention: Mr. Christopher Meister, Executive Director

Re: ***US$558,835,000 Illinois Finance Authority, State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2017, dated: Date of delivery, due: January 01, 2037***

Dear Mr. Meister:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AAA" . S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:
S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

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enclosures

cc: ***Mr. Matthew Hone***
Mr. Richard Frampton

S&P Global
Ratings

S&P Global Ratings
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Summary:

Illinois Finance Authority; State Revolving Funds/Pools

Primary Credit Analyst:
Scott D Garrigan, New York (1) 312-233-7014; scott.garrigan@spglobal.com

Secondary Contact:
Erin Boeke Burke, New York 212-438-1515; Erin.Boeke-Burke@spglobal.com

Table Of Contents

Summary:

Illinois Finance Authority; State Revolving Funds/Pools

Credit Profile		
US$558.835 mil clean wtr initiative revolving fd rev bnds ser 2017 due 01/01/2037		
Long Term Rating	AAA/Stable	New
Illinois Fin Auth SRFPOOL		
Long Term Rating	AAA/Stable	Affirmed

Rationale

S&P Global Ratings has assigned its 'AAA' rating to the Illinois Finance Authority's (IFA) series 2017 state of Illinois clean water initiative revolving fund revenue bonds. We have also affirmed our 'AAA' rating on the authority's outstanding revolving fund revenue bonds. The outlook is stable.

The rating reflects our assessment of the following credit characteristics:

- An extremely strong enterprise risk profile, given that the program has ongoing support from multiple levels of government, and a governmental entity manages the program; and
- An extremely strong financial risk profile, reflecting its loss coverage score (LCS), operating performance, and financial policies.

Because we view securitizations backed by pools of public-sector assets as highly sensitive to country risk, the rating on the securitization is capped at two notches above the sovereign. However, no specific sovereign default stress is applied, given the U.S. sovereign rating is 'AA+'.

IFA is issuing the revolving fund bonds pursuant to a master trust agreement related to the state's clean and drinking water state revolving fund programs (SRFs). Security for the series bonds is a pledge of revenues collected pursuant to the master trust, which includes pledged loan repayments and investment income earned from the various pledged funds and accounts. The bonds consist of four portions, as allowed for under the master trust agreement: a state match clean water SRF portion, a state match drinking water SRF portion, a leveraged clean water SRF portion, and a leveraged drinking water SRF portion. The clean water and drinking water funds are fully cross-collateralized through the use of a pledged equity fund in which all excess revenues are deposited. The only qualification for cross-collateralization is that only interest earnings from loan repayments can be used to repay state match portions of the bonds. There currently is no reserve fund pledged to the bonds.

We view the enterprise risk profile of the program as extremely strong. This is due to a combination of the low industry risk profile for municipal pools and the program's market position, which we consider extremely strong. IFA is a body politic (civil division) and corporate (legal entity) of the state of Illinois. The legislature created the clean and drinking water programs by statute for administering the SRF programs. The SRF programs receive federal equity support through capitalization grants and IFA is using bond proceeds to fund its state match.

We view the financial risk profile of the program as extremely strong, reflecting the combination of its LCS, historical operating performance, and management policies. Excess loan repayments and interest earnings above annual debt service results in over-collaterization. When looking at the clean and drinking water program cash flows separately, coverage of debt service from loan repayments at each semiannual bond payment date is structured to be at least 1.2x (drinking water) and 2.1x (clean water) on the state match portion of the bonds and no less than 1.1x (drinking water) and 1.9x (clean water) on the leveraged portion of the bonds. When combining the cash flows for both programs, loan repayments cover state match and leveraged semiannual debt service by at least 1.8x and 1.6x, respectively. Providing additional support for the cash flows are $84 million of accrued cash balances in the combined clean and drinking water funds, which does not include any unspent bond proceeds. These cash flow characteristics lead to an extremely strong LCS under our default tolerance tests, which includes the effects of the largest obligor test, which the program passes.

It is our understanding that drinking water program coverage could improve over time since management has the ability to pledge additional drinking water loans to repayment of the SRF bonds.

Averaging all of the financial policies and practices, we view the corpus of these as generally good. Management performs credit reviews for all new loans but does not require borrowers to submit annual financial statements. However, selective review on certain borrowers is done annually. Loan repayments are made throughout the year, while debt service is due semiannually; this minimizes the possibility of cash-flow deficiencies that could occur just prior to debt service payment dates. The Illinois Environmental Protection Agency (IEPA) develops the intended use plan and project priority list, and updates both annually. Management invests its cash in compliance with the master trust agreement, and receives monthly investment reports.

Management has indicated that there have been no delinquent or defaulting pledged loans throughout the history of the SRF program. After the 2017 bonds are issued, there will be $2.5 billion of pledged loans and $1.1 billion of bonds outstanding. The aggregate clean and drinking water portfolio has about 430 borrowers, with the outstanding total loan balance for the top five borrowers representing 44% of all pledged loans; the largest participant is Metropolitan Water Reclamation District of Greater Chicago ($657 million of loans).

Based on these enterprise and financial risk profiles, we rate the bonds 'AAA'.

Outlook

The stable outlook is based on our expectation that the enterprise and financial risk profiles will remain the same over the two-year outlook horizon.

Downside scenario

If the authority leverages the program further and does not provide sufficient over-collateralization that we view as consistent with an extremely strong LCS, it could pressure the rating.

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.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.