



\$500,000,000*

Illinois Finance Authority

State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016

Investor Presentation

August 19, 2016

** Preliminary, subject to change.*

Disclaimer



This investor presentation that you are about to view is provided as of August 19, 2016 for a proposed offering of the Illinois Finance Authority, State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016. This presentation has been prepared for information purposes only and for your sole and exclusive use in connection with the proposed transaction. The information contained herein is subject to completion and amendment. Any offer or solicitation with respect to the Bonds will be made by means of a final official statement. If you are viewing this investor presentation after the date stated above, events may have occurred that have a material adverse effect on the financial information presented. The information contained in this presentation is given solely as of its date and no inference should be made that there have been no change in such information since that date.

This presentation does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or an offer or recommendation to enter into any transaction described herein nor does this presentation constitute an offer, commitment or obligation on the part of the issuer, underwriter or any of its affiliates to provide, issue, arrange or underwrite any financing or enter into any other transaction. You will be responsible for making your own independent investigation and appraisal of the risks, benefits, appropriateness and suitability of the proposed transaction and any other transactions contemplated by this presentation and neither the issuer nor the underwriter is making any recommendation (personal or otherwise) or giving any investment advice and will have no liability with respect thereto.

The IFA, IEPA, and underwriters make no representation or warranty as to the (i) accuracy, adequacy or completeness of any information in this investor presentation or (ii) legal, tax or accounting treatment of any purchase of Bonds by you or any other effects such purchase may have on you and your affiliates.

This investor presentation contains “forward-looking” statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, we caution you not to place undue reliance on these statements. All statements other than the statements of historical fact could be deemed forward-looking. All opinions, estimates, projections, forecasts and valuations are preliminary, indicative and are subject to change without notice.

THE PRINTING, DUPLICATING, DOWNLOADING, SCREEN CAPTURING, ELECTRONIC STORING, RECORDING, PUBLISHING OR DISTRIBUTING OF THIS INVESTOR PRESENTATION IN ANY MANNER IS STRICTLY PROHIBITED.

By viewing this investor presentation you acknowledge that you understand and agree to the provisions of this page.



Illinois Finance Authority (IFA)

- Chris Meister, Executive Director
- Rich Frampton, Vice President
- Elizabeth Weber, General Counsel
- Ximena Granda, Controller
- Brad Fletcher, Assistant Vice President

Illinois Environmental Protection Agency (IEPA)

- Alec Messina, Director
- Carol Radwine, Chief Financial Officer
- Sanjay Sofat, Chief of the Bureau of Water
- Kevin Bryant, Water Revolving Fund Finance Manager
- Amy Walkenbach, Coordinator of Financial & Technical Programs

Sycamore Advisors & Acacia Financial Group, Inc (Financial Advisors)

- Melanie Shaker, Sycamore Advisors
- Phoebe Selden, Acacia Financial Group, Inc

Financing Overview



▪ Financing Structure:

- IFA plans to issue \$500* million of State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016 (the “Bonds”) consisting of:
 - Drinking Water State Match funding for federal fiscal years 2015, 2016 and 2017 and Clean Water State Match for 2016 and 2017
 - New money to fund loans made by IEPA to units of local government in Illinois to finance eligible wastewater treatment and sanitary sewerage facilities and drinking water facilities

▪ Program Structure:

- Pledged agreements and funds under the 2013 Master Trust Agreement as well as certain additional Agreements and Loans, including certain loans to be financed from Bond proceeds (“Initial Pledged Agreements”) secure payment of the Bonds
- The repayment obligations under the Pledged Agreements of each Participant may be from one or more revenue sources of the Participant, including revenues from the Participant’s water and sewer system, sales taxes, property taxes (General Obligation) or other special assessments
- Clean Water (“CW”) and Drinking Water (“DW”) Bonds are fully cross-collateralized
- No debt service reserve funds required

▪ Ratings of AAA/AAA (S&P/Fitch)

* Preliminary, subject to change.

Overview of IFA



- IFA was established in 2004 to provide “access to low-cost capital to public and private institutions that are aligned with the mission of fostering economic development, creating and retaining jobs, and improving quality of life for Illinois residents”
- Body politic and corporate of the State of Illinois formed through the consolidation of seven State entities, including the Illinois Development Finance Authority
- Governed by a 15-member volunteer board appointed by the Governor of the State and confirmed by the State Senate

Overview of IEPA



- IEPA was established in 1970 to “safeguard environmental quality consistent with the social and economic needs of the State, so as to protect health, welfare, property and the quality of life”
- As the primary operations agency in Illinois for purposes of implementing the major federal environmental protection programs, statutory authority is granted for policy and regulatory development, planning and monitoring, permitting, inspections and enforcement, remedial actions, emergency management and environmental infrastructure assistance
- Oversees and operates the Clean Water and Drinking Water SRF programs
- Provides low-cost loans to units of local government for qualified wastewater and drinking water capital projects
 - The projects financed are those ranked as a priority based on responses to an application which addresses technical compliance, compliance with regulatory and statutory requirements, project administration, environmental aspects and financial capability
- As of June 30, 2016, IEPA had made 827 loans pursuant to the Clean Water Program, and had more than 561 Clean Water Program loans outstanding—approximately \$2.397 billion. As of June 30, 2016, IEPA had made 536 loans pursuant to the Drinking Water Program, and had more than 471 Drinking Water Program loans outstanding—approximately \$755 million

Program Management Responsibilities



- IEPA and IFA has entered into a Memorandum of Agreement for the Clean Water Initiative to work in a cooperative manner and to identify and designate the responsibilities and authority of each entity



-
- IEPA is responsible for the overall management of the SRF Programs and the associated loans
 - Includes programmatic, operational, regulatory and financial matters relative to the administration of the loan program
 - Loan review and monitoring

-
- IFA is responsible for activities in connection with issuing bonds or note obligations, proceeds of which will be used by the IEPA to finance eligible projects
 - Includes arbitrage rebate compliance, compiling and reporting annual continuing disclosure, monthly trust statement reconciliation and any and all actions under the Master Trust Agreement
 - Investment management of funds in the trust

Loan Origination



- Project Priority List - The projects financed are those ranked as a priority based on responses to an application which addresses compliance with regulatory and statutory requirements, project administration, environmental aspects and financial capability

- Loan Security Review Process includes analysis to evaluate Participants potential to meet repayment obligations. IEPA requires the Participant to provide detailed and sufficient information to allow the IEPA to determine that the applicant
 - is financially capable,

 - has pledged a dedicated source of revenue that is adequate to retire the debt and meet any covenants and requirements in the loan agreement, and

 - has established a water use and water revenue system, where applicable, that will generate adequate revenues to repay the loan and accommodate costs for operation, maintenance and replacement of the facilities to be constructed

Loan Management and Servicing



- Fixed Loan Rate is comprised of an interest portion and loan support portion (“Loan Support Fee”)
 - Rate is based on 50% of the prior year’s mean Bond Buyer 20-Bond GO Index
 - Set annually in July for Clean Water and October for Drinking Water (there is no statutory maximum and no minimum rate)
 - Currently 1.75% for the Clean Water Program and 1.86% for the Drinking Water Program
- Loan security – dedicated repayment sources
 - Revenues of the System (approx. 73%* of pledged loans)
 - General Obligation (approx. 27%* of pledged loans)
 - Special Assessments (de minimis amount)
- Loan reserves required for subordinate revenue loans to borrowers and coverage requirement mirrors the senior lien obligations of the borrower

* Preliminary, subject to change.

Loan Management and Servicing (continued)



- Loan servicing
 - Semi-annual repayments received throughout the year
 - Invoices produced by IEPA, payments received by Trustee
 - Immediately follows up with any payment not received by due date
 - No formal notice of delinquency or nonpayment has been issued by IEPA to any participant since execution of Master Trust Agreement in 2013

No Payment Defaults have occurred with Respect to any Clean Water or Drinking Water Loans

Financing Structure

Trust Indenture and Security



- The 2016 Bonds will be issued under the 2013 Master Trust Agreement
 - Open indenture structure
 - Cash flow model
 - Debt service reserve fund allowed, however no reserves required in connection with the Series 2016 financing
 - Use of pledged Equity Fund with “closed loop”
 - Includes the ability to issue leveraged and state match bonds
- Clean Water and Drinking Water Bonds are fully cross-collateralized
- Includes two coverage tests:
 - Projected Debt Service Coverage Ratio – 1.05x revenues to debt service used for additional issuance (1.00x for subordinate obligations)
 - Projected Asset Coverage Ratio – 1.20x assets to debt service used for release of assets

Financing Structure

Trust Indenture and Security (continued)



- The Bonds are not general obligations of the IFA, nor will they constitute an indebtedness or an obligation of the IFA, the State or any political subdivision thereof
- The Bonds are limited obligations payable solely from revenues or other amounts pledged under the Master Trust Agreement
- The Bonds are secured by:
 - Payments, revenues and receipts derived from the Pledged Agreements (but excluding Loan Support Payments)
 - Any other funds held under the Master Trust Agreement and available for such payment
- However, the State Match Portions of the Bonds shall not be paid from moneys derived from the repayment of principal of any Pledged Agreement or from Grant Proceeds
- Loan Support Fees, which are primarily used for administrative expenses for CW and DW program activities, are not pledged to secure the Bonds
 - The Loan Support Fee for all outstanding Pledged Agreements is currently equal to 50% of the Fixed Loan Rate
 - As such, the interest portion of the Fixed Loan Rate for all outstanding Pledged Agreements is currently equal to 50% of the Fixed Loan Rate

Financing Structure

Pledged Loan Portfolio Composition



- On the date of issuance of the Series 2016 Bonds, it is expected that the Initial Pledged Agreements will consist of 851* Loans with an aggregate outstanding principal amount of \$2.188* billion, generally described as follows:

	Loans Outstanding Under Initial Pledged Agreements
Number of Discrete Borrowers	445*
Average Outstanding Balance	\$4,917,473*
Interest Rate Range ¹	1.25% to 3.36%*
Interest Rate Range (Net of Loan Support Payments)	0.625% to 1.68%*
Loan Maturity Range	1 year to 24 years*
Security for Loans (calculated on aggregate principal amount of Loans outstanding):	
Water/Wastewater Revenues	73.00%*
Property Tax (General Obligation Debt)	27.00%*
Sales Tax or other	0%*

¹ Includes Loan Support Fee component of interest rate, which is not pledged to the payment of the Bonds

- The ten borrowers having the largest aggregate outstanding balances on Loans made under the Initial Pledged Agreements as of the date of issuance of the Series 2016 Bonds comprise 48.75%* of the total outstanding balances of all Loans made under Agreements that are part of the Initial Pledged Agreements

* Preliminary, subject to change.

Transaction Summary*



		Maturity	Preliminary Par*
Par Amount	\$500,000,000*	7/1/2017	\$10,560,000
		1/1/2018	13,125,000
Tax Status	Tax-exempt for federal income tax purposes Not exempt from Illinois income taxes	7/1/2018	14,110,000
		1/1/2019	14,465,000
Bond Structure	7/1/2017 – 7/1/2036* Serial Bonds due semi-annually	7/1/2019	14,850,000
		1/1/2020	15,020,000
Optional Redemption	January 1, 2026*	7/1/2020	15,235,000
		1/1/2021	15,530,000
Extraordinary Mandatory Redemption	Subject to extraordinary premium call to meet compliance with the Tax Increase Prevention and Reconciliation Act (in years 1 and 3, as more fully described in the POS)	7/1/2021	15,790,000
		1/1/2022	15,690,000
Pricing Date	August 29/30, 2016*	7/1/2022	15,450,000
		1/1/2023	15,740,000
BPA Signing	August 30, 2016*	7/1/2023	15,950,000
		1/1/2024	17,000,000
Delivery	September 12, 2016*	7/1/2024	16,840,000
		1/1/2025	16,485,000
Ratings	S&P: AAA and Fitch: AAA	7/1/2025	16,200,000
		1/1/2026	15,615,000
POS	Available at www.munios.com	7/1/2026	15,615,000
		1/1/2027	15,590,000
		7/1/2027	14,795,000
		1/1/2028	14,590,000
		7/1/2028	13,910,000
		1/1/2029	13,815,000
		7/1/2029	12,970,000
		1/1/2030	12,705,000
		7/1/2030	12,135,000
		1/1/2031	11,750,000
		7/1/2031	11,685,000
		1/1/2032	11,405,000
		7/1/2032	11,025,000
		1/1/2033	9,910,000
		7/1/2033	8,625,000
		1/1/2034	7,740,000
		7/1/2034	6,625,000
		1/1/2035	6,815,000
		7/1/2035	5,825,000
		1/1/2036	4,635,000
		7/1/2036	4,180,000
			\$500,000,000

* Preliminary, subject to change.

Summary



- Diverse loan portfolio with solid history of loan repayments
- Over-collateralized SRF program
 - Bonds outstanding of approximately \$587.415* million after issuance of Series 2016 bonds
 - As of issuance of Series 2016 Bonds, balance of 851* loans with aggregate principal amount of approximately \$2.188* billion pledged
- Equity Fund provides additional security by creating a “closed loop”
- Credit strengths reflect the AAA-credit quality of the Program
 - Bonds rated AAA/AAA (S&P/Fitch)
- No Payment Defaults have occurred with Respect to any Clean Water or Drinking Water Loans

* Preliminary, subject to change.

BofAML Contact Information



Name	Role	Phone	Email
Tom Liu	Banking	(646) 743-1361	thomas.liu@baml.com
Eric Rockhold	Banking	(312) 537-6374	eric.rockhold@baml.com
Tim McCue	Banking	(646) 743-1351	timothy.mccue@baml.com