

# THE BOND BUYER

## Illinois Tollway and Midway Airport planning refunding deals

By

[Jennifer Shea](#)

Published

December 13, 2023, 7:22 a.m. EST

Two big Illinois issuers have scheduled refunding deals with planned pricings on Thursday, with the Illinois State Toll Highway Authority to issue \$900 million of series 2024A senior revenue refunding bonds and Chicago's Midway Airport to sell \$393 million of series 2023C senior revenue refunding bonds.

Rising interest rates had made refundings thin on the ground for much of this year, but [municipal bonds have rallied](#) in recent months, changing the equation.

Dan Rozek, senior communications manager for the Illinois Tollway, said the current environment is right for a refunding deal.



Chicago's Midway International Airport is one of two big Illinois issuers looking at refunding bond sales this week. *Bloomberg News*

"Recent interest rate declines of 100-plus basis points present an opportunity for the Tollway to achieve debt service savings worthy of executing the transaction," he said.

RBC Capital Markets and Wells Fargo are lead underwriters on the Tollway deal. Co-municipal advisors are PFM Financial Advisors and Backstrom McCarley Berry & Co. Hardwick Law Firm is bond counsel.

Interest on the fixed rate serial bonds, maturing Jan. 1, 2026, through Jan. 1, 2039, will be federally tax-exempt but as is the case under Illinois law, state taxable. They are being issued to refund the Tollway's 2013 Series A senior revenue bonds and 2014 Series B senior revenue bonds, which were used to finance portions of the Move Illinois program.

Fitch Ratings assigns the bonds its AA-minus rating, citing the authority's expanding traffic base, sound debt management history, strong balance sheet and "proactive" toll increases: tolls for trucks and commercial vehicles will climb 5.22% as of Jan. 1, 2024, though passenger vehicles will see no toll hikes. S&P Global Ratings also assigned its AA-minus rating, while Moody's Investors Service rates the deal Aa3.

The Tollway has \$7.3 billion of outstanding debt. But it has successfully moved to all fixed-rate debt, Fitch noted, citing a conservative debt profile with all debt senior lien and fully amortizing.

Rozek noted that the Tollway bonds' pricing date is market dependent. Chicago likewise is keeping its options open on the timing of the Midway Airport bonds.

"We are currently day to day in the market, with a target pricing date of Thursday, Dec. 14," said Chicago Assistant Finance Commissioner and Debt Manager Brendan White. "If market conditions are favorable, we may accelerate the transaction. If market conditions soften, we may postpone the transaction until January."

For the Midway deal, Jefferies will be lead underwriter. The RSI Group and PFM are co-municipal advisors, while Mayer Brown and Charity & Associates are co-counsels.

"Despite the increase in rates over the last year, we have the opportunity to refund bonds with lower yields than the coupons on the existing bonds," White said. "The recent rally has significantly improved debt service savings."

The refunding deal will involve refinancing the airport's series 2014A bonds. Fitch assigned the bonds an A rating, citing Midway's status as a hub for Southwest — the airline made up 89% to 94% of Midway's volume from 2018 to 2022, and has been adding new destinations from Midway since 2019. Kroll Bond Rating Agency gave the bonds an A rating as well, pointing to the residual agreements that compel airlines to absorb rate and rental cost increases, among other factors.

City officials are confident that Midway is on firm financial footing, with 2023 enplanement volume at around 107% of pre-pandemic volume in 2019 and Midway's cash and investment balances at \$193.5 million.

"This refunding will keep the cost structure of the airport affordable and will make it easier to accommodate the airport's modest 2023-2027 (capital improvement program), which... is focused on ongoing rehabilitation, repair, and maintenance," White said.

In addition to the capital improvement program — which covers airfield projects, technical fixes, sound insulation, facilities and vehicle support, terminal costs, land acquisition and parking — Midway is undertaking a concessions redevelopment program which will see 39 food and beverage stalls and 19 retail outposts added to the airport. Fitch also cited this "successful transformation" in its A rating.

Moody's Investors Service, which was not hired to rate the new Midway deal, upgraded previous second-lien bonds to A2 from A3 Nov. 30, citing the city's defeasance of the previous senior lien bonds and the city's amended indenture that places all outstanding second lien bonds on parity with newly issued senior lien bonds.

The Tollway is looking to hike funding for its Move Illinois program to \$15 billion, \$6.3 billion of that financed through revenue bonds. And Midway is in the midst of a \$514 million capital improvement program aimed at upgrading major runways, modifying lighting and electrical systems and reducing noise pollution for its neighbors. The Chicago Department of Aviation, which owns the airport, also expects federal grant to support bond proceeds to fund its upgrades.