



Rating Action: Moody's Ratings affirms North Texas Tollway Authority's Aa3 first tier bond rating, A1 second tier rating, and A3 subordinate bond rating; outlook stable

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New York, September 17, 2025 -- Moody's Ratings (Moody's) has assigned a Aa3 rating to North Texas Tollway Authority, TX (NTTA) expected \$510.5 million First Tier Revenue Refunding Bonds, Series 2025A and an A1 rating to the expected \$126.4 million Second Tier Revenue Refunding Bonds, Series 2025B. We also affirmed the Aa3 rating on NTTA's outstanding parity first tier bonds, the A1 rating on parity second tier bonds, and the A3 rating on subordinate bonds. NTTA has \$5.7 billion of first tier bonds rated Aa3, \$2.6 billion of second tier bonds rated A1, and \$36.8 million of subordinate lien bonds rated A3. The outlook is stable.

RATINGS RATIONALE

The affirmation of the ratings is based on NTTA's solid financial metrics and our expectation of economic growth above national averages which will support revenue growth, despite the newly implemented toll policy that removes automatic toll rate increases every two years. The new policy is intended to reduce the accumulation of liquidity as NTTA's annual debt service requirements flatten out and NTTA's capital investment needs remain manageable from annual cash flow. We think NTTA's board commitment to the prior policy of increasing rates to match rising debt service requirements demonstrates a commitment to maintaining credit quality. We expect the board would follow its policy to increase rates again if certain needs arise and to protect current credit quality.

NTTA's ratings reflect a growing revenue base, which supports moderating leverage and sustains the net revenue debt service coverage ratio (DSCR) through the next few years of modest annual debt service requirements. All ratings are based on the NTTA's essential roadway network located in one of the fastest growing US service areas that will experience continued traffic growth. Traffic growth will be the primary cause of revenue growth now that the board has decided to discontinue its automatic biennial toll rate increases as debt service requirements level off and capital investment needs remain manageable. DSCR by net revenue on all obligations will improve gradually from 1.5x in fiscal 2025 to around 1.65x over the next five years if NTTA's traffic consultant's forecast is met. NTTA maintains sufficient cash that mitigates risks of future traffic declines and also fully funds NTTA's current capital plan.

NTTA's leverage will decline steadily, even with smaller annual revenue increases with the new policy. However, with 6.9x adjusted debt to operating revenue at the end of 2024, leverage remains elevated compared to similarly sized peers.

The Aa3 first tier rating is based on the senior security pledge and DSCR of 2.2x in 2024 and a policy that strives to maintain first tier coverage above 2.35x moving forward. The A1 second tier rating is based on the second tier pledge of revenue and a weaker debt service reserve requirement. The A3 subordinate lien rating reflects higher total debt service coverage and ample balances in the capital improvement fund (CIF) to support payment of the obligations. The A3 rating on subordinate debt additionally reflects the lack of a pledge of revenue and no debt service reserve.

RATING OUTLOOK

The stable outlook reflects our expectation that NTTA will have low single digit revenue growth, DSCR provided by total net revenue will range between 1.5-1.6x, and capital investment needs can be managed through annual cash flow and current liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Revenues continue to grow resulting in first tier net revenue DSCR above 3.0x and second tier net revenue DSCR above 1.75x
- Liquidity remains above 730 days cash on hand
- Total leverage declines to below 4.0x

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Additional debt issuances or revenue declines that lead to sustained DSCR of first and second tier bonds below 1.3x
- Lower than expected video toll enforcement and collections
- Failure to implement planned toll increases necessary to produce projected debt service coverage levels
- Traffic and revenue growth no longer meet or exceed current projections

PROFILE

NTTA manages a well-established multi-asset tollway system in the Dallas-Fort Worth MSA. Assets include two bridges, one tunnel and five highways, approximately 151 center lane miles in length and with 1,212 lane miles. Traffic is predominantly two axle passenger cars with only 2.7% multi-axle vehicles.

METHODOLOGY

The principal methodology used in these ratings was Publicly Managed Toll Roads and Parking Facilities published in May 2023 and available at <https://ratings.moodys.com/rmc-documents/403120>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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