Research Update:

North Texas Tollway Authority Series 2025A First-Tier System Revenue Refunding Bonds Rated 'AA-'; Outlook Is Stable

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Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to the North Texas Tollway Authority's (NTTA) estimated $510.5 million first-tier system revenue refunding bonds, series 2025A, and its 'A+' rating to the authority's estimated $126.4 million second-tier system revenue refunding bonds, series 2025B.
- At the same time, we affirmed our 'AA-' long-term rating and underlying rating (SPUR) on the authority's first-tier toll road revenue bonds and our 'A+' long-term rating and SPUR on the authority's second-tier revenue bonds outstanding.
- The outlook is stable.

Rationale

Security

Net revenues of the NTTA toll system secure the authority's toll road revenue bonds. The long-term rating on the second-tier bonds reflects our view of their subordinate lien on the net revenue.

The bond proceeds will be used to refund a portion of the authority's existing debt for debt service savings.

As of June 30, 2025, NTTA had approximately $8.5 billion in debt outstanding, consisting of $6.1 billion of first-tier bonds, $2.4 billion of second-tier bonds, and about $36.77 million of subordinate-lien bonds. The authority maintains a commercial paper (CP) program of up to $200 million as well as a revolving note program of up to $100 million. NTTA has no CP or revolving notes outstanding.

Credit highlights

Anchored by a large and growing metropolitan area, our assessment of NTTA's overall credit metrics remains unchanged, with a very strong enterprise risk profile and a strong financial risk profile. The system continues to experience favorable traffic trends, which have translated to solid revenue growth while helping maintain healthy financial margins. The authority's revenue growth has been supported by its policy of automatic biennial toll rate increases, which was recently revised. As adopted by the NTTA's board on Aug. 20, 2025, future toll rate modifications, reviewed no later than July of even numbered years, will require an affirmative vote of the board to change. In our view, the policy change is credit neutral given the authority's established track record of prudently balancing the system's growth, regional affordability, and preserving a stable financial performance, which we anticipate will continue. Concurrently, the board approved a change to its rainy-day fund policy to establish a target of six-month's of operations and maintenance (O&M) funds expenses.

For the six-month period ended June 30, 2025, the authority reports a near 1% increase in toll transactions and effectively flat revenue, relative to the same period in 2024. Our financial risk profile assessment of NTTA considered historical and projected financial and operational results and an updated traffic and revenue study that reasonably assumes continuation of organic revenue increases; system toll transactions increasing 2.2%, on average, per year, and system toll revenue increasing 2.8%, on average, annually from 2025-2030. Revenue growth assumes no toll rate increases. Growth assumptions for system transactions are predominantly based on continued favorable service area demographic trends.

The rating reflects our view of the authority's:

- Very strong market position due to NTTA's important role as a regional urban infrastructure provider, with critical transportation links in the expanding Dallas-Fort Worth-Arlington (DFW) metropolitan statistical area (MSA), despite the existence of nontolled alternatives;
- Overall strong financial risk profile, reflecting coverage, debt capacity, and liquidity (S&P Global Ratings-calculated) that we expect will be sustained near current levels supported by generally favorable traffic trends and prudent management to ensure continued stable financial performance, and no new-money borrowing needs;
- Very strong management and governance, reflecting NTTA's history of meeting or exceeding most operational and financial goals, detailed financial forecasting that is updated frequently to address material variances, and a very capable staff that has considerable experience operating a regional tolling agency; and
- Manageable, albeit large, capital improvement program (CIP) of about $2.2 billion for fiscal 2025-2029 that management anticipates will be funded from cash on hand and cash flow from operations.

Environmental, social, and governance

We evaluated NTTA's environmental, social, and governance factors as neutral in our credit rating analysis. Our rating and our view of its long-term credit stability are underscored by favorable demographic trends and economic growth within the DFW MSA that represent a social opportunity generating ongoing demand for the system that we believe results in favorable financial performance.

Outlook

The stable outlook reflects our expectation that the high and relatively price-inelastic demand for NTTA's roads will provide it with sufficient flexibility to continue to maintain good financial performance.

Downside scenario

A deterioration of the authority's financial metrics inconsistent with similarly rated peers could lead to downward rating pressure, although not anticipated in our view.

Upside scenario

Maintaining overall financial metrics supported by transaction and revenue growth coupled with a successful implementation of new toll rate policy and ongoing CIP, while maintaining current overall debt metrics could lead to upward rating potential.

Credit Opinion

Enterprise Risk Profile: Very Strong

Growing service area and demand show little sign of abating despite cooling economic conditions

Strong and resilient demand for the system as well as the large service area covered by NTTA underpin our very strong enterprise risk profile assessment. Transactions in fiscal 2024 (Dec. 31 fiscal year-end) rose about 1.6% relative to 2023 reflecting continued steady growth, which underscores our view of the system’s very strong market position. The authority's network is overwhelmingly used by passenger vehicles (two-axle), which accounted for approximately 96% of toll transactions in 2025.

A traffic and revenue letter update completed by CDM Smith in August 2025 partially reflects the latest system trends, and shows a continued pattern of growth for both transactions and revenue. Overall, the forecast estimates annual transaction growth of 2.2% through 2030, then moderating to 1.6% in the succeeding decade. Annual revenue growth is forecast at nearly 2.8% for the balance of the decade before moderating to 1.6% from 2030-2040. The forecast now assumes no future rate increases. Given the continued population growth in the region and demand for system's network, we view near-term estimates as reasonable and conservative. In addition, while no longer automatic, we believe management will prudently navigate toll rate increases to maintain stable operating margins, coverage, and system needs.

From an economic perspective, the broader DFW MSA is anticipated to grow at a faster clip than the nation in 2025 and 2026, with metropolitan economic output growth of 2.1% and 3.1%, respectively, according to S&P Global Market Intelligence. Reflective of a maturing business cycle layered with lingering uncertainty and knock-on effects of shifting federal policies priorities, particularly tariff policy, the national growth outlook is expected to be muted in the medium term. For additional information see, “U.S. Business Cycle Barometer: Recession Risk Remains Elevated Amid Shifting Policies,” July 22, 2025.

Experienced management team supports overall credit stability

We continue to view the authority's management and governance as very strong, reflecting NTTA's strategic positioning, risk, and financial management, and organizational effectiveness. The management team has considerable expertise and experience due to its long tenure with the authority. Management provides frequent and high-quality disclosure and maintains a detailed long-range financial forecast. In addition, it has adopted a variety of financial policies, including an investment and debt management policy and toll rate-setting policy framework, all collectively supporting operational effectiveness and stability, in our view. This includes a focus on ensuring a strong capacity to meet the growing demands of the system and achieving high levels of customer service and safety.

Financial Risk Profile: Strong

Financial performance continues its historically consistent positive results

Our financial risk profile assessment remains strong and captures our view of strong debt service coverage (DSC; S&P Global Ratings-calculated), coupled with maintenance of very strong liquidity, and a large but carefully managed debt profile. We think the authority's relatively resilient demand and corresponding revenue growth will support historical trends and our expectation that key financial metrics will continue near current levels.

Average total DSC for fiscal years 2022-2024 is about 1.4x with pro forma coverage of 1.7x (2026), comfortably in the strong range. Our DSC calculations include audited financial results of NTTA reported on a generally accepted accounting principles basis on an all-in basis. NTTA's DSC, as per the indenture, for all existing obligations is estimated to be 1.4x in fiscal 2025. Its rate covenant is to maintain DSC of no less than 1.35x on the first tier and 1.20x on the combined first and second tiers. Overall, we believe the authority’s financial targets are attainable given its demonstrated ability and willingness to increase tolls and favorable traffic trends.

Steady debt and liability profile, with no debt plans in the works with its CIP supported by available cash

NTTA's debt profile remains strong and, with no debt plans in the medium term, should continue to improve, in our view. The authority's debt to EBIDA in fiscal 2024 remained below 10x, which we anticipate will continue within the outlook period due to revenue growth as well as the lack of additional debt added to the system. NTTA's five-year fiscal 2025-2029 CIP totals about $2.2 billion. We understand, it plans to cash-finance all its CIP with a combination of current restricted and unrestricted reserves as well as future excess cash flow. In our assessment of NTTA's very strong liquidity and financial flexibility, we anticipate days cash on hand will remain at or above 1,000, and between 20.0%-7.5% of debt.

North Texas Tollway Authority--ratings score snapshot

Enterprise risk profile	**2**
Economic fundamentals	1
Industry risk	2
Market position	2
Management and governance	2
Financial risk profile	3

North Texas Tollway Authority--ratings score snapshot

Enterprise risk profile	**2**
Financial performance	3
Debt and liabilities	2
Liquidity and financial flexibility	2

North Texas Tollway Authority, Texas--financial and operating data

	--Fiscal year ended Dec. 31--					Medians for 'AA' category rated toll roads
	Pro forma 2027	2024	2023	2022	2021	2023
Financial performance						
Total operating revenue ($000s)	1,444,804	1,298,073	1,217,114	1,080,492	925,283	738,774
Plus: interest income ($000s)	N.A.	0	0	0	0	MNR
Plus: other committed recurring revenue sources ($000s)	19,034	19,563	19,643	19,680	19,680	MNR
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	284,009	353,270	290,711	253,878	230,514	202,338
Numerator for S&P Global Ratings' coverage calculation ($000s)	1,179,829	964,366	946,046	846,294	714,449	MNR
Total debt service ($000s)	676,108	682,613	645,233	590,144	522,135	165,145
S&P Global Ratings-calculated coverage (x)	1.70	1.37	1.42	1.39	1.32	2.43
Debt and liabilities						
Debt ($000s)	9,145,819	8,864,241	9,268,281	9,466,479	9,573,394	2,207,126
S&P Global Ratings-calculated net revenue ($000s)	1,179,829	964,366	946,046	846,294	714,449	513,784
Debt to net revenue (x)	7.8	9.2	9.8	11.2	13.4	5.0
Liquidity and financial flexibility						
Unrestricted cash and investments ($000s)	781,745	1,288,507	1,204,617	1,010,803	902,484	668,556
Unrestricted days' cash on hand	1,004.7	1,331.3	1,512.4	1,453.2	1,429.0	1,079
Available liquidity to debt (%)	8.5	14.5	13.0	10.7	9.4	17.0
Operating metrics - toll road						
Total toll revenue ($000s)	1,381,855	1,198,342	1,131,352	1,034,980	898,654	MNR
Toll transactions (000s)	1,023,922	949,935	935,223	881,327	813,939	184,505

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. EPAX--Enplanements. PFC--Passenger facility charge. CFC--Customer facility charge. MADS--Maximum annual debt service. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include

North Texas Tollway Authority, Texas--financial and operating data

	--Fiscal year ended Dec. 31--					Medians for 'AA' category rated toll roads
	Pro forma 2027	2024	2023	2022	2021	2023

working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations. N/A--Not applicable. N.A.--Not available. N.M.--Not Meaningful.

Ratings List	
New Issue Ratings	
US$126.395 mil sys rev rfdg bnds, second tier bnds ser 2025B dtd 11/04/2025 due 01/01/2043	
Long Term Rating	A+/Stable
US$510.465 mil sys rev rfdg bnds, First tier bnds ser 2025A dtd 11/04/2025 due 01/01/2042	
Long Term Rating	AA-/Stable
Ratings Affirmed	
Transportation	
North Texas Tollway Auth, TX Toll Facility Revenues	AA-/Stable
North Texas Tollway Auth, TX Toll Facility Revenues 2nd Lien	A+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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