

DEBT MANAGEMENT REPORT

-- Presented by Brenda Morris, Chief Financial Officer, 573-751-2803

ISSUE: Attachments are provided to give an update on the Missouri Highways and Transportation Commission's (MHTC) outstanding debt. Between December 2000 and December 2023, the MHTC borrowed \$4,914,135,000 through new money bonds and \$1,528,955,000 through refunding bonds. As of June 30, 2025, the amount of outstanding bonds is \$1,127,955,000.

RECOMMEND that the Commission:

- No action is required. This report is for informational purposes.

DEPARTMENT VIEW:

- Bond financing allows the Missouri Department of Transportation (MoDOT) to provide much needed infrastructure improvements to the traveling public sooner than pay-as-you-go funding allows. Building projects sooner results in cost savings by reducing project inflation costs, while at the same time advancing economic development, improving safety, and easing congestion.
- The following major activities took place in fiscal year 2025 regarding the MHTC's debt portfolio:
 - Principal of \$378.1 million was paid for scheduled debt service payments.
 - The Series B 2010 bonds were paid off.
 - The Series B 2014 bonds were paid off.
 - The Series A 2019 bonds were paid off.
- MoDOT staff will continue to work with the MHTC's financial advisor, Public Financial Management (PFM) which is comprised of Public Financial Management, Inc., and PFM Financial Advisors LLC, to monitor refinancing opportunities that provide cost savings to MoDOT, while falling within the guidelines established by the MHTC Debt Management Policy.
- Attachment 1 provides a summary of the bonds outstanding by series as of June 30, 2025 and does not include bonds which have been paid-off.
- The MHTC has a five-lien structure in place: Amendment 3 (First Lien, Second Lien, and Third Lien), Federal Reimbursement Lien (Grant Anticipation Revenue Vehicle (GARVEE) Bonds), and State Appropriations Mega Projects Lien. Attachment 2 identifies the sources of revenue pledged to repay the debt under each lien.
- MoDOT's fiscal year 2026 budget includes \$375.9 million in principal and \$49.3 million in interest payments for debt service on outstanding bonds. Attachment 3 provides projections of future debt service payments by year. The current outstanding bonds are projected to be paid in full on May 1, 2033.
- The Commission first approved its MHTC Debt Management Policy in May 2000, with the latest revision approved by the Commission in October 2023. The MHTC adopted a Debt Management Policy to ensure each debt financing is completed in the most efficient and effective manner and in accordance with the best practices of the industry to achieve the Commission's fiscal management goals and objectives. The Debt Management Policy limits the amount of debt the MHTC can borrow by capping annual debt service to no more than five percent of the annual Total Road and Bridge Revenue, not including Amendment 3 revenues. New or additional funding sources, such as Amendment 3 or

General Revenue Fund monies, may be designated for the exclusive purpose of covering debt service to advance construction projects and these may be considered beyond and apart from the percentage limit set forth above. Debt obligations include debt service on bonds and loan repayments to the State Infrastructure Bank (SIB); leases of one-year or longer; and repayments to local entities for accelerated program payments. The accelerated program is MoDOT's reimbursement to other entities, usually local governments, for proceeds they provided to accelerate construction projects. Attachment 4 reports the MHTC's estimated debt obligations compared to the estimated debt limitations, which are in compliance with the Debt Management Policy.

- Attachment 5 reports the call dates of the outstanding bonds. Currently, \$46.1 million in bonds are callable and will remain so until they mature in fiscal year 2026.
- MoDOT staff will continue to work with the Bond Trustee, BOK Financial, N.A., to ensure: (1) bondholders are paid on time, (2) certain financial and operational information is disclosed on an ongoing basis as required, and (3) the MHTC stays in compliance with its Master Bond Indentures.

OTHER VIEWS:

- Credit rating agencies view MHTC's Debt Management Policy and its conservative approach to using debt in a positive manner. The result is credit ratings assigned to the MHTC's outstanding bonds ranging from "AAA" to "AA+" (see Attachment 2). The MHTC has \$691.2 million or 61 percent in outstanding bonds rated by at least one of the credit rating agencies as "AAA" or "Aaa," which is the highest credit rating available.

MHTC POLICY:

- Financial – Debt Management – Debt Management Policy.

OTHER PERTINENT INFORMATION:

- In November 2004, Amendment 3 was voter-approved as a constitutional amendment and redirected a portion of the statewide sales tax on motor vehicle purchases from the state's General Revenue Fund to a newly created State Road Bond Fund with the intent it be used to pay debt service. The law mandated the redirected revenue be used to repay bonds until January 1, 2009. After January 1, 2009, the amount not needed for debt service would require a General Assembly appropriation of the unused funds from the State Road Bond Fund to the State Road Fund along with certain certifications, which would then be used on pay-as-you-go projects. Using the new revenue for bond repayment allowed the MHTC to deliver projects faster. The MHTC has borrowed a total of \$2.7 billion through nine series of Amendment 3 Bonds. A significant decrease in the annual debt service payment occurs in fiscal year 2027 because of the First Lien Bonds being paid in full. The final payment date for the Amendment 3 Bonds is May 1, 2033. A portion of these bonds were refunded in June 2014 resulting in savings of \$123.0 million. The MHTC borrowed \$178.4 million in December 2019 and \$89.0 million in December 2021 in bonds for the Focus on Bridges Program. The Focus on Bridges Program constructed, reconstructed, rehabilitated, or significantly repaired 250 bridges around the state. These bonds were issued under the third lien of Amendment 3, but the debt service is being paid from appropriations of General Revenue. The final payment date for the Focus on Bridges bonds is May 1, 2027.

- From 2008 to 2010, three other major projects utilized debt financing: The New I-64 in St. Louis, the Safe and Sound Bridge Improvement Program, and the Stan Musial Veterans Memorial Bridge in St. Louis. The MHTC used GARVEE Bonds, which is debt used to finance federal transportation improvements, to pay for all or a portion of the projects. The MHTC borrowed a total of \$927.7 million through five GARVEE Bond series. The final payment date for the GARVEE Bonds is May 1, 2033. A portion of these bonds were refunded in May 2019 resulting in savings of \$9.5 million.
- During the 2023 legislative session, the General Assembly passed and the Governor signed legislation that made available \$2.8 billion in General Revenue Fund monies (\$1.4 billion in cash and \$1.4 billion in bonding authority) to fund the costs to plan, design, construct, reconstruct, rehabilitate, and repair three lanes in each direction on approximately 200 miles of I-70, from Blue Springs to Wentzville (the “Improve I-70 Program”). The MHTC borrowed \$381.6 million in December 2023 in bonds for the Improve I-70 Program.
- The MHTC borrowed funds using various types of bonds. The largest percentage was tax-exempt fixed rate debt (\$714.5 million outstanding). In 2009 and 2010, the MHTC utilized Build America Bonds (**BABs**), which are sold as fixed rate taxable bonds that receive an interest subsidy payment from the U.S. Treasury. The BABs utilized by the MHTC resulted in lower net interest rates when compared to the traditional tax-exempt bonds. The MHTC currently has \$413.5 million of BABs outstanding. The final payment date for the BABs bonds is May 1, 2033.
- Due to sequestration (spending cuts mandated under the 2011 federal budget resolution), the MHTC may not receive the full amount of the interest subsidy payments due from the federal government on the BABs. The interest subsidy payments were reduced by approximately \$0.5 million in fiscal year 2025.
- Attachment 6 provides a list of the MHTC’s top ten bondholders as of May 29, 2025. The top ten bondholders owned approximately 28 percent of the MHTC’s outstanding debt at that time.
- The overall weighted average true interest cost for the bonds outstanding as of June 30, 2025, is 2.99 percent.

SOURCE OF FUNDING: Principal and interest on the bonds will be paid from revenues deposited into the State Road Fund and the State Road Bond Fund as defined in the Master Bond Indentures. In the case of BABs, the MHTC authorizes the federal government to send the interest subsidy payments directly to the Bond Trustee on behalf of the MHTC. For the Series B 2019, Series A 2021, and Series A 2023 Bonds, a transfer from the General Revenue Fund into the State Road Fund will be made annually to cover the debt service payments for the current fiscal year.

Missouri Highways and Transportation Commission
Bonds Outstanding as of June 30, 2025

<u>Lien</u>	<u>Series</u>	<u>Par Amount of Original Issuance</u>	<u>Bonds Outstanding (6/30/2025)</u>	<u>Principal Payment Due in FY 2026</u>	<u>Total Debt Service Due in FY 2026</u> ¹
Amendment 3 Bonds: (Principal & Interest in May and Interest in November ²)					
1st Lien					
	Refunding 2014 A	\$ <u>0</u>	\$ <u>104,510,000</u>	\$ <u>104,510,000</u>	\$ <u>109,735,500</u>
		0	104,510,000	104,510,000	109,735,500
3rd Lien					
	2009 C	300,000,000	106,235,000	25,140,000	29,149,127 ³
	2019 B ²	178,370,000	46,050,000	22,450,000	24,191,250
	2021 A ²	88,955,000	35,240,000	19,775,000	21,042,625
	2022 A	<u>453,005,000</u>	<u>399,175,000</u>	<u>40,600,000</u>	<u>59,968,550</u>
		1,020,330,000	586,700,000	107,965,000	134,351,552
Total Amendment 3 Bonds		1,020,330,000	691,210,000	212,475,000	244,087,052
GARVEE Bonds: (Principal & Interest in May and Interest in November)					
	2009 B	<u>404,375,000</u>	<u>307,225,000</u>	<u>33,925,000</u>	<u>45,088,327</u> ³
Total GARVEE Bonds		404,375,000	307,225,000	33,925,000	45,088,327
State Appropriations Mega Projects Bonds: (Principal & Interest in May and Interest in November)					
	2023 A ⁴	<u>381,610,000</u>	<u>129,520,000</u>	<u>129,520,000</u>	<u>135,996,000</u>
Total State Appropriations Mega Projects Bonds		381,610,000	129,520,000	129,520,000	135,996,000
Total of all Bonds Outstanding		\$ <u>1,806,315,000</u>	\$ <u>1,127,955,000</u>	\$ <u>375,920,000</u>	\$ <u>425,171,379</u>

Notes ¹ Does not include various annual trustee fees.

² Series B 2019 and Series A 2021 Bonds for the Focus on Bridges Program have principal & interest in November and interest in May. Debt service payment for the Focus on Bridges Program will be made from the State Road Fund with funds transferred from the General Revenue Fund.

³ Series B & C 2009 Bonds are Build America Bonds and the debt service is net of budgeted interest subsidy payments from the U.S. Treasury.

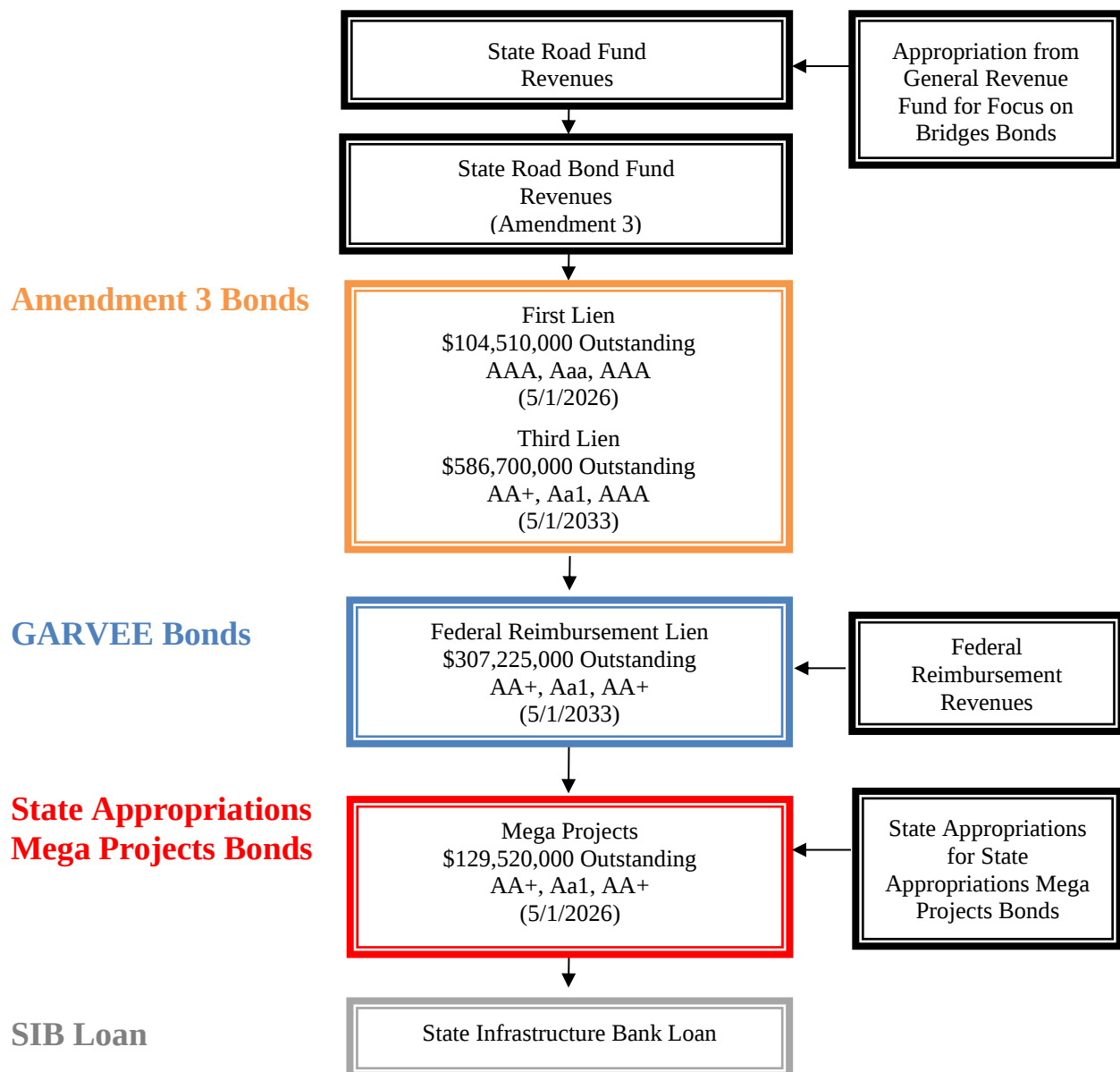
⁴ Debt service payment for the Improve I-70 Program will be made from the State Road Fund with funds transferred from the General Revenue Fund.

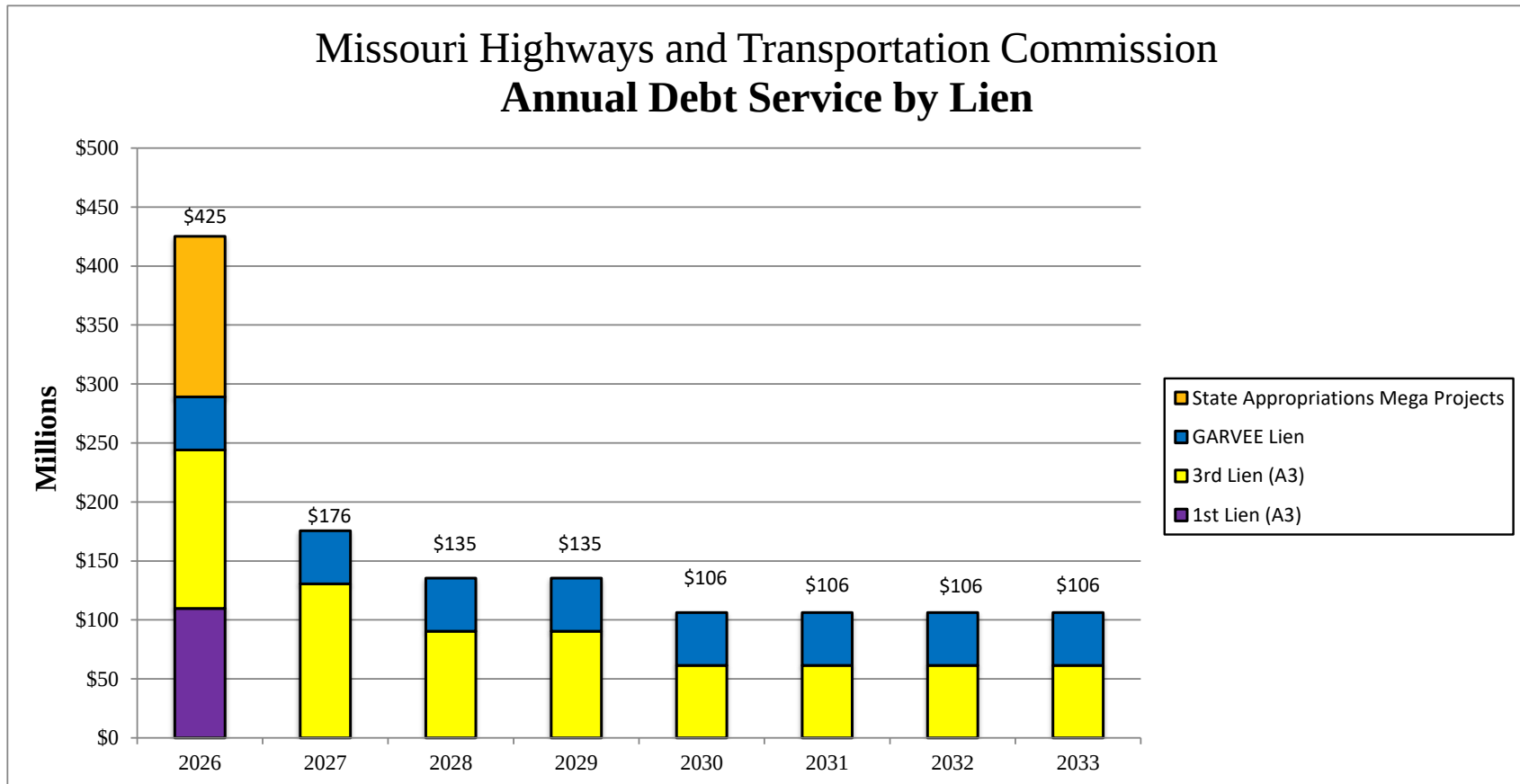
Missouri Highways and Transportation Commission

Lien Structure as of June 30, 2025

The Missouri Highways and Transportation Commission has three bonding programs that conservatively leverage state and federal revenues to expedite the completion of important transportation projects.

The flow chart reflects the pledged revenues, amount of debt outstanding, the credit ratings (Standard & Poor's, Moody's and Fitch) and the final payment date by lien.





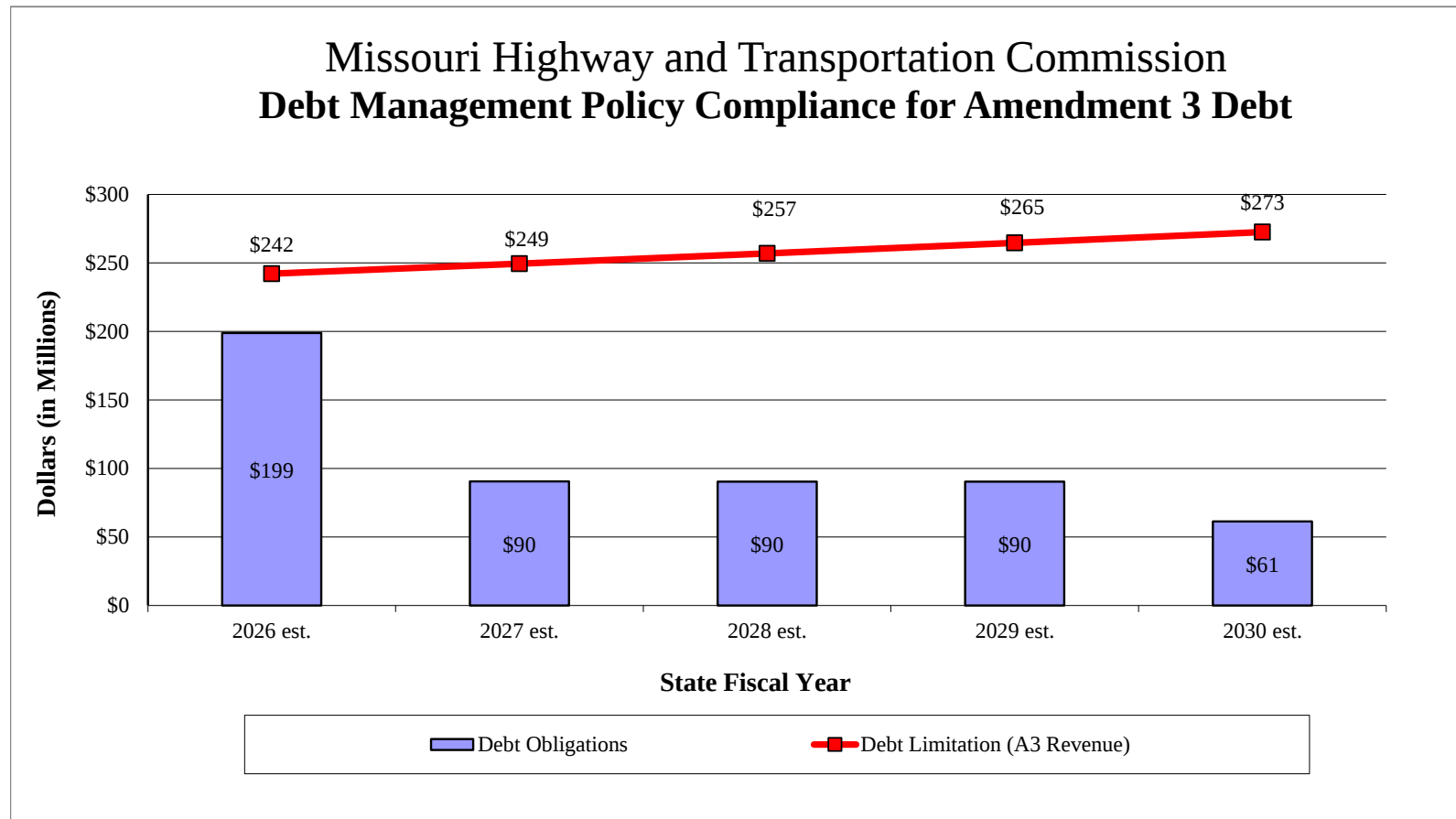
Missouri Highways and Transportation Commission

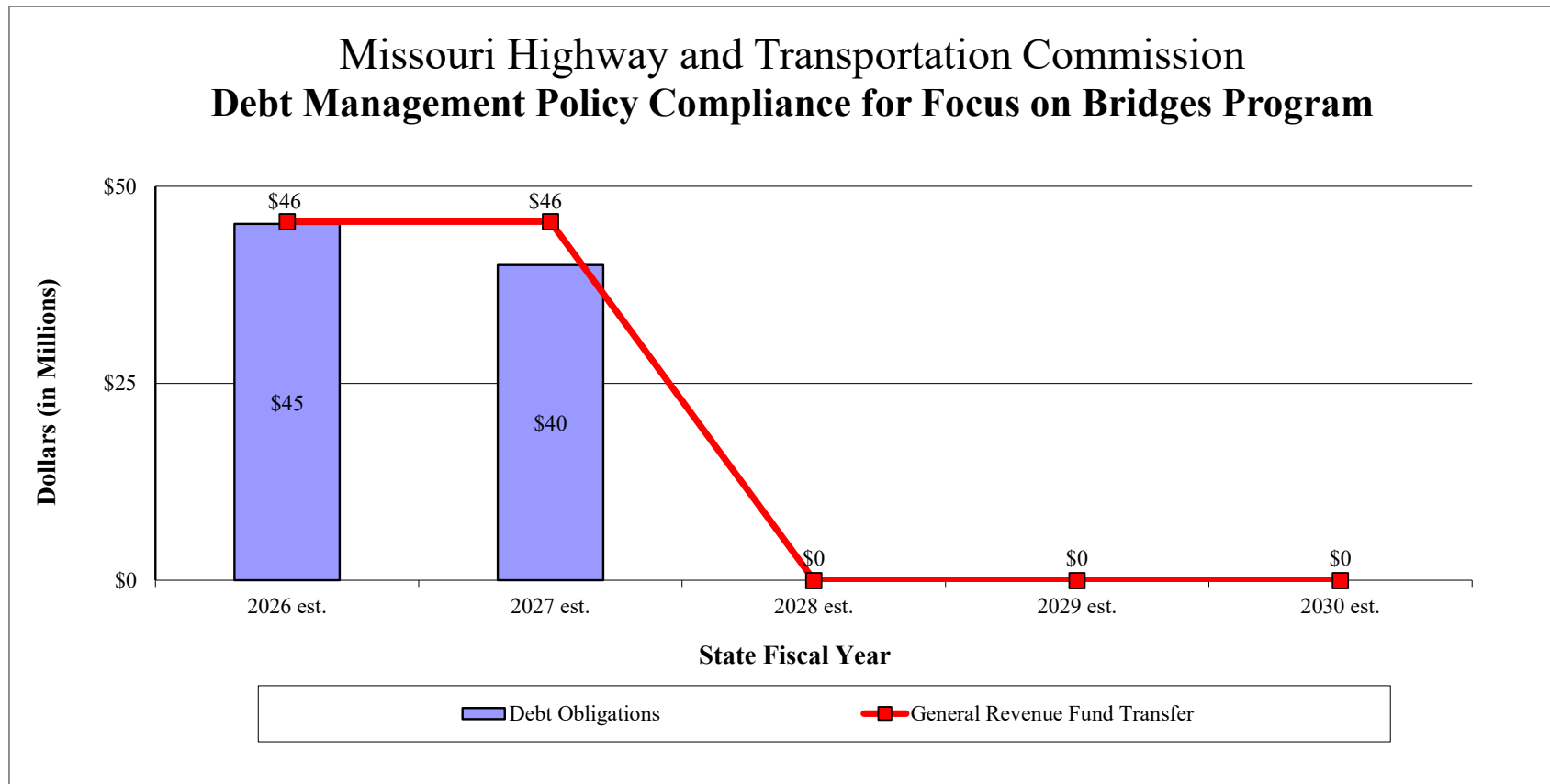
Annual Debt Service by Lien

Fiscal Year	(A3) 1st Lien Bonds	(A3) 3rd Lien Bonds ¹	(A3) Subtotal Bonds	GARVEE Lien Bonds ¹	State Appropriations Mega Projects Lien Bonds	Total Annual Debt Service Payment ²	Bonds Outstanding (June 30)
2026	\$ 109,735,500	\$ 134,351,552	\$ 244,087,052	\$ 45,088,327	\$ 135,996,000	\$ 425,171,379	\$ 752,035,000
2027		\$ 130,540,561	\$ 130,540,561	\$ 45,039,650		\$ 175,580,211	\$ 607,800,000
2028		\$ 90,473,476	\$ 90,473,476	\$ 45,010,339		\$ 135,483,815	\$ 498,220,000
2029		\$ 90,451,788	\$ 90,451,788	\$ 44,975,430		\$ 135,427,218	\$ 384,040,000
2030		\$ 61,376,800	\$ 61,376,800	\$ 44,943,463		\$ 106,320,263	\$ 294,110,000
2031		\$ 61,377,800	\$ 61,377,800	\$ 44,907,615		\$ 106,285,415	\$ 200,245,000
2032		\$ 61,381,300	\$ 61,381,300	\$ 44,866,243		\$ 106,247,543	\$ 102,270,000
2033		\$ 61,380,800	\$ 61,380,800	\$ 44,827,707		\$ 106,208,507	\$ 0

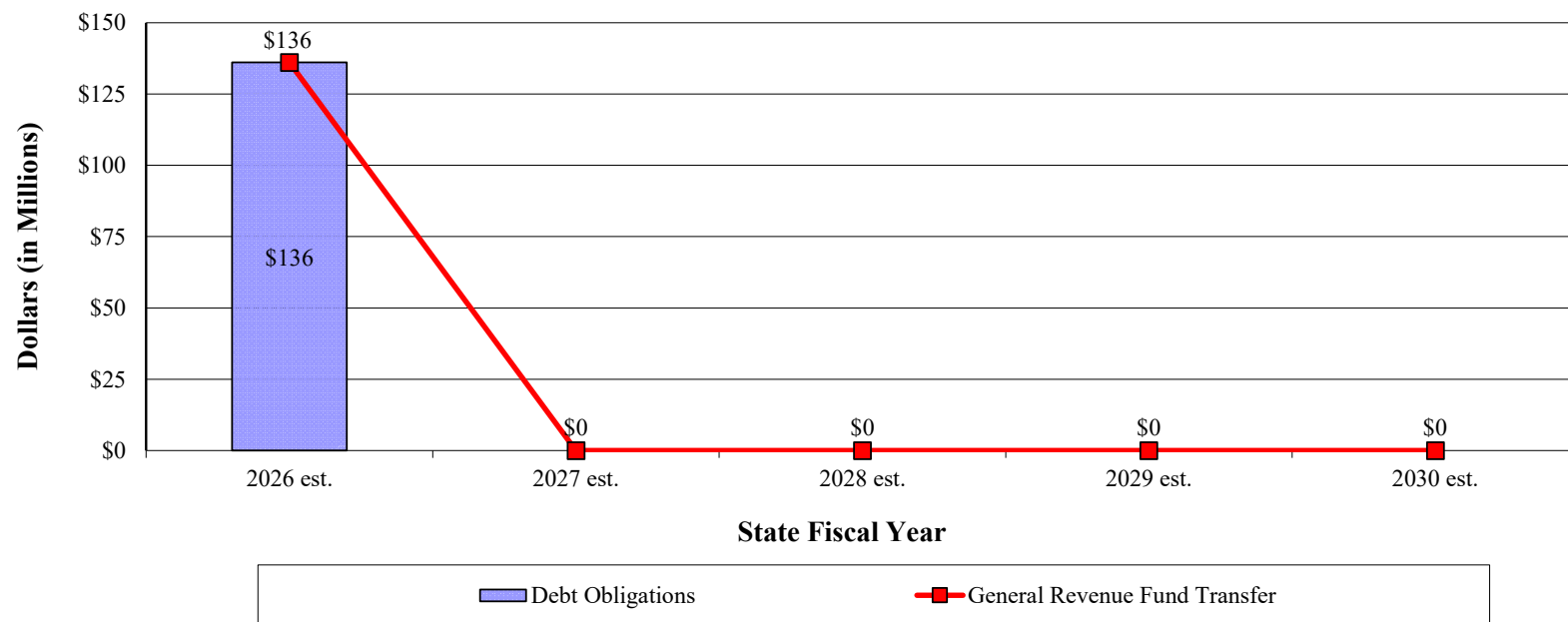
Notes: ¹ Series B & C 2009 Bonds are Build America Bonds and the debt service is net of budgeted receipt of interest subsidy payments from the U.S. Treasury.

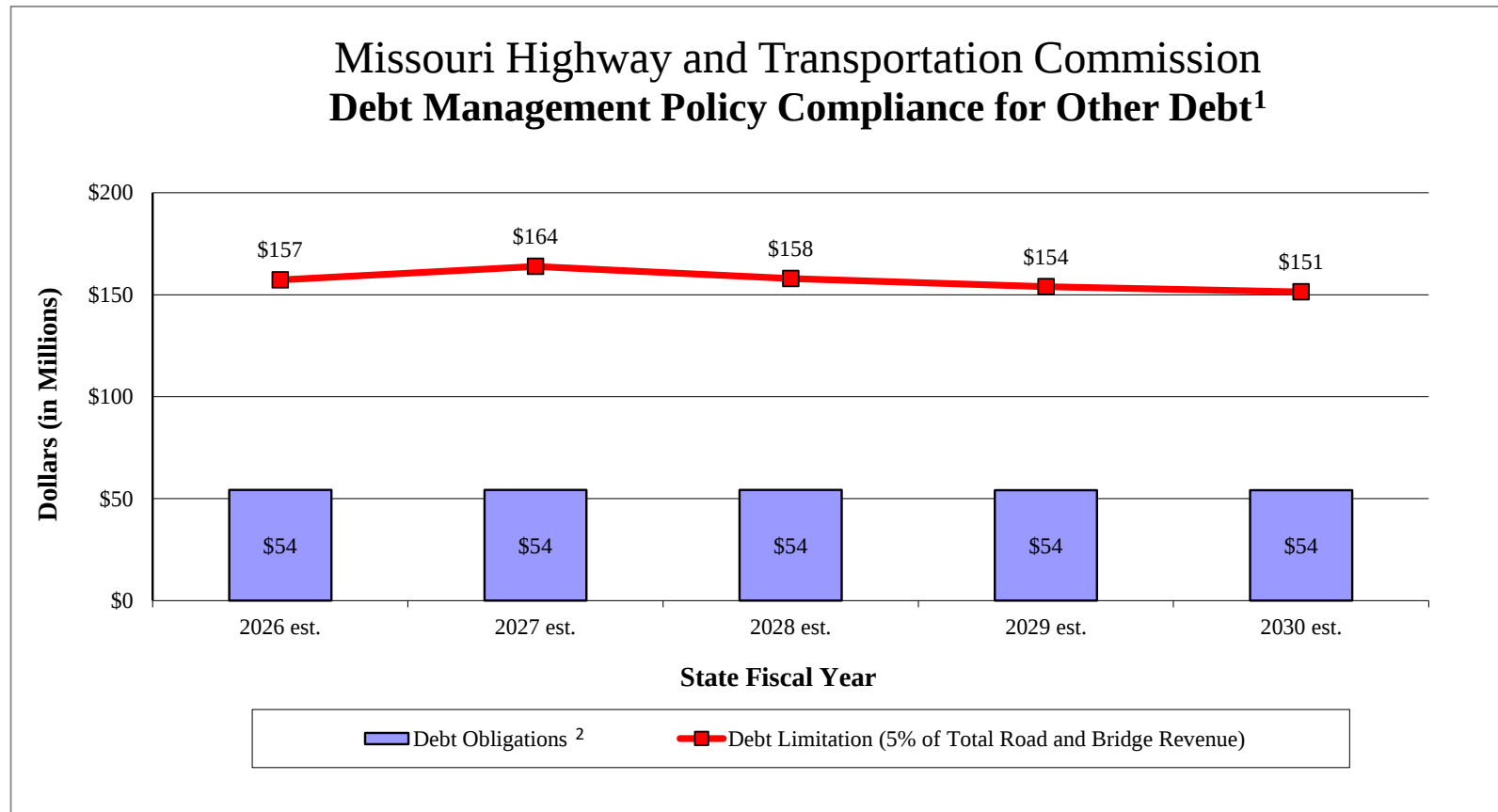
² Does not include various annual trustee fees.





Missouri Highway and Transportation Commission Debt Management Policy Compliance for Improve I-70 Program

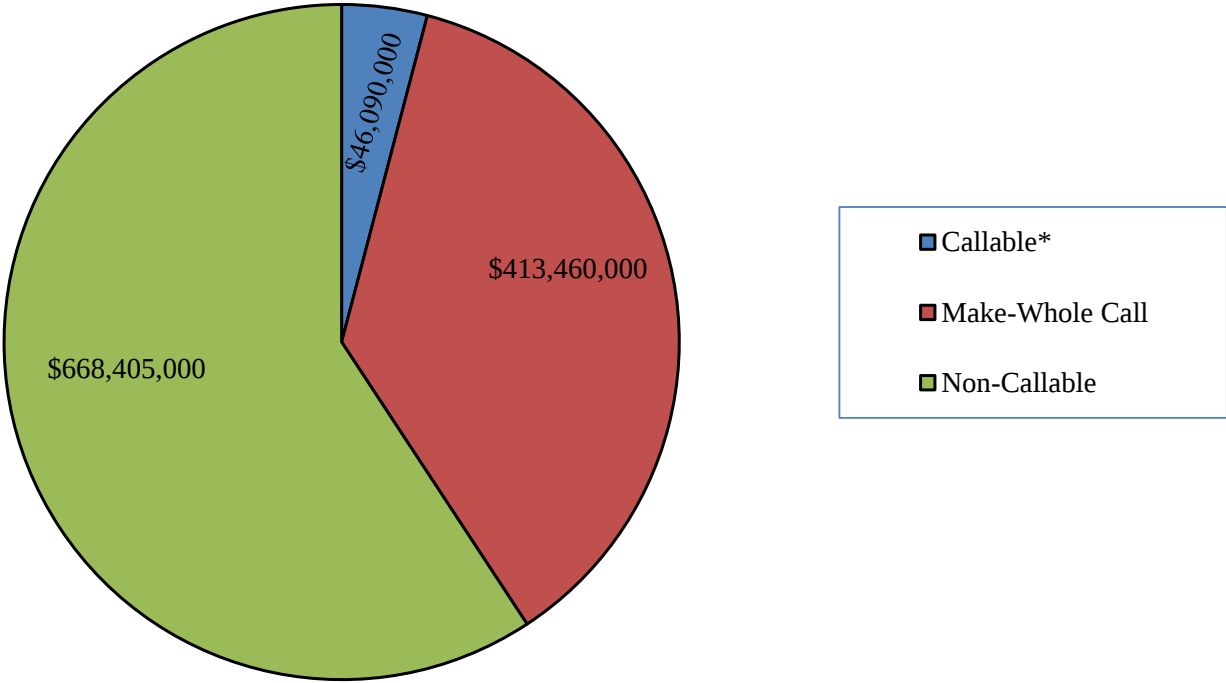




Notes: ¹ Other Debt excludes Amendment 3, the Focus on Bridges Program, and the Improve I-70 Program.

² Debt Obligations include debt service on bonds; leases of one-year or longer, repayment to local entities for accelerated program payments; and the MTFC/SIB loan for the Rocheport Bridge / Mineola Hill project.

Missouri Highways and Transportation Commission
Call Dates on Outstanding Bonds
as of June 30, 2025



* Bonds became callable on May 1, 2024 and will remain so until they mature in fiscal year 2026.

Missouri Highways and Transportation Commission

Top 10 Bondholders

• BlackRock, Inc.	\$113 million
• The Vanguard Group, Inc.	\$50 million
• Northern Trust Corp.	\$40 million
• MetLife Investment Management	\$30 million
• State Street Corp.	\$17 million
• Prudential Financial, Inc.	\$14 million
• New York Life Group	\$14 million
• JP Morgan Chase & Co.	\$12 million
• Berkshire Hathaway Inc.	\$12 million
• Conning Inc.	\$10 million

Source: Bloomberg as of May 29, 2025