

State Highway 249 System

Quarterly Traffic and Operating Report

For the Fiscal Quarter ended February 28, 2022



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1.0 Disclaimer

Information in this report regarding the State Highway 249 System ("SH 249" or "System") has been compiled and provided by Texas Department of Transportation (the "Department" or "TxDOT") records and other sources which are believed by TxDOT to be reliable pursuant to Section 709 of the Master Trust Agreement for the Bonds. TxDOT does not make any representation or warranty concerning the usefulness of such information to a decision to invest in, hold, or sell bonds, notes or other obligations payable, in whole or in part, from the sources pledged to the payment of SH 249 outstanding debt obligations.

The offering documents, traffic and revenue forecasts, and other documents contained in or referenced in this report should not be considered to speak as of any date other than the respective dated date thereof or such other dates indicated in each such document and are not incorporated into or made a part of this report.

References to website addresses presented in this report are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into or made a part of this report. Many of the website links referenced in this report are also available at the end of this report in the section entitled "Relevant Links" herein.

On March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency and the Texas Governor declared COVID-19 an imminent threat of disaster for all counties in Texas. The situation continues to evolve; for additional information on these events in Texas, reference is made

to the website of the Governor at <https://gov.texas.gov/> and the quarterly Bond Appendix and any supplements thereto as prepared by the Texas Comptroller of Public Accounts which are on file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system. The Texas Transportation Commission ("Commission") and TxDOT continue to monitor the spread of COVID-19 and are working with local, state, and national agencies to address the potential impact of COVID-19.

The information contained in this report is provided as of the respective dates and for the periods specified herein, and the filing of this report does not, under any circumstances, imply that there has been no change in the affairs of the System or TxDOT since the specified date or dates as of which such information is provided. The full impact of the COVID-19 pandemic and the scope of any adverse impact on the System, Revenues of the System, and TxDOT cannot be fully determined at this time. The pandemic has adversely affected travel, commerce, and financial markets globally and may continue to adversely affect economic output worldwide and in Texas, including within the counties traversed by the System. Accordingly, the historical information set forth in this report may not be indicative of future results or performance due to these and other factors.

Capitalized terms used in this report and not otherwise defined have the meaning given to such terms in the Official Statement, dated February 14, 2019, with respect to the Texas Transportation Commission State Highway 249 System First Tier Toll Revenue Bonds, Series 2019A, and Taxable Series 2019B (the "SH 249 2019 Official Statement"); see relevant links.

2.0 Report Notes

- Transaction and toll revenue trends may not correlate exactly on a monthly or quarterly basis due to the following factors:
 - A transaction occurs when a vehicle passes through a tolling point and is reported in the month in which it occurs.
 - Transaction counts are generated through the roadway toll management system and toll revenue is derived from back office system reports.
 - Each transaction may result in a different amount of collected toll revenue depending on the rate charged for the number of axles, type of transaction (ETC or Non-ETC), and tolling point.
 - Seasonal impacts, such as holidays and the number of weekdays in each month, have an impact on month-to-month changes in toll revenue and transactions.
 - Transactions include counts when the lane system is placed into “event” mode (suspended transactions) which means tolling is turned off to facilitate traffic management during traffic incidents or other emergencies.
 - Toll waiver transactions are reported in the period they occur.
- The System Fiscal Year begins September 1 of each year and ends on August 31 of the following year.
- A fiscal year end adjustment is made to toll revenue in the Annual Financial Report to reflect Non-ETC toll revenues earned but not collected, less an allowance for doubtful accounts. Thus, total annual toll revenues in the Annual Financial Report reflect the toll revenue earned, adjusted for an allowance for doubtful accounts, during the fiscal year for transactions that occurred in that fiscal year.
- Positive variances indicate actual revenues exceed prior year amounts and, if applicable, actual expenses are lower than prior year amounts.
- Totals may not sum due to rounding.
- This information provided in this report is unaudited and subject to change.

3.0 SH 249 System Map

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Transportation Planning and Programming Division



0 5 Miles



The System

Montgomery

Grimes

Waller

Harris

- Segment 1: ("The System"): Owned by TxDOT, tolled, open
- Segment 2: Owned by TxDOT, non-tolled, under construction
- Segment 3: Owned by Montgomery County Toll Road Authority, tolled, open
- Segment 4: Owned by Harris County, Toll Road Authority, tolled, open
- Segment 5: Owned by Harris County, Toll Road Authority, tolled, open

4.0 Executive Summary (In Thousands)

Forecasted toll revenue and transactions are based on the projections provided in the SH 249 Comprehensive Traffic and Toll Revenue Study dated December 13, 2018 (the “2018 T&R Study”) and included as Appendix E to the SH 249 2019 Official Statement. Forecast and actual toll revenue presented in this Executive Summary exclude interest income and other revenues. The actual and forecast revenue and transactions are as of the dates and for the periods indicated.

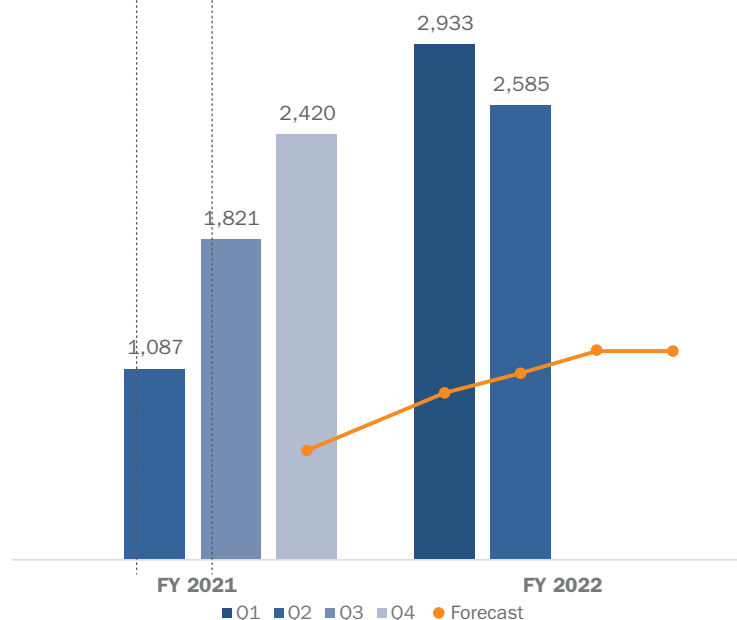
For purposes of managing the design and construction, Segment 1 is further divided into two Sections comprising of: Section 1A from FM 1774 in Pinehurst to FM 1488, a distance of 6.4 miles; and Section 1B from FM 1488 to FM 1774 near Todd Mission, a distance of 8.4 miles. The 2018 T&R Study provides a forecast for toll revenue and transactions assuming tolling would begin on July 1, 2021 (Q4). Tolling began in December 2020 for Section 1A and in March 2021 for Section 1B.

For the fiscal quarter ending February 28, 2022, the 2018 T&R Study projected toll revenues of \$1.6 million with 1.1 million toll transactions. Actual toll revenue collected for the same period was approximately \$3.4 million with nearly 2.6 million transactions.

Actual Quarterly Toll Revenue



Actual Quarterly Toll Transactions



5.0 System Revenues, Expenses, and Transactions (In Thousands)

| | | | | Prior Year Comparisons | | | | | |
|---------------------------|-----------------|-----------------|-----------------|------------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| Quarter by Month | | | | Current Quarter | | | Fiscal Year to Date | | |
| | Dec-21 | Jan-22 | Feb-22 | FY 2022 | FY 2021 | \$/# Variance | FY 2022 | FY 2021 | \$/# Variance |
| Revenues | | | | | | | | | |
| Toll Revenue | \$ 1,280 | \$ 1,103 | \$ 1,039 | \$ 3,421 | \$ 1,060 | \$ 2,362 | \$ 6,928 | \$ 1,060 | \$ 5,868 |
| Interest & Other Revenue | 2 | 6 | 7 | 15 | 129 | (114) | 34 | 272 | (238) |
| Total Revenue | \$ 1,283 | \$ 1,108 | \$ 1,045 | \$ 3,436 | \$ 1,188 | \$ 2,248 | \$ 6,962 | \$ 1,332 | \$ 5,630 |
| Expenses | | | | | | | | | |
| O&M Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Major Maintenance | - | - | - | - | - | - | - | - | - |
| Total Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transactions | | | | | | | | | |
| Auto | 902 | 773 | 740 | 2,415 | 1,022 | 1,393 | 5,176 | 1,022 | 4,154 |
| Truck | 60 | 57 | 52 | 170 | 65 | 105 | 342 | 65 | 277 |
| Total Transactions | 962 | 831 | 792 | 2,585 | 1,087 | 1,498 | 5,518 | 1,087 | 4,431 |

Totals may not sum due to rounding.

Toll and Fee Revenue Recognition

Revenues for electronic toll collection (ETC) transactions are generally recognized when they are earned, which is at the time the transaction is reconciled through a back office system for a valid ETC transaction (requiring a properly installed transponder and a sufficiently funded account). ETC transactions are generally reconciled in the same month they occur, however, recognition of toll revenues for transactions occurring in a given month may be deferred to a future month due to back office system processing delays and other factors. This occurred in the current reported quarter as the variances in the monthly toll revenues shown in the table above are primarily attributable to a delay in the recognition of a portion of ETC toll revenues from October 2021 to November 2021. For example, a Non-ETC transaction may be recorded in one month, but revenue for that transaction may not be recognized and reported until a later month.

On November 17, 2020, TxDOT began transition activities from Conduent's Vector Back Office System to the new TxDOT Back Office System. This transition has required interruptions to customer service activities including delayed reconciliation of ETC transactions through the

new TxDOT Back Office System, statement processing, billing of Non-ETC transactions, and escalations of past due transactions. All delays in the reconciliation of ETC transactions attributable to the transition have been substantially resolved. As of the date of this report, TxDOT continues to experience interruptions to customer service activities, including processing and billing delays relating to Non-ETC toll transactions occurring on the System since November 17, 2020. No revenues relating to non-ETC transactions are included in the toll revenues reported in the table above.

During the first half of Fiscal Year 2022, the custodian pursuant to the Master Lockbox and Custodial Account Agreement (the "Custodian") received cash payments relating to a portion of the Non-ETC toll transactions that have occurred on the System; however, such payments have not been remitted to the System's trustee under the Master Trust Agreement (the "Trustee"). Such payments may be recognized in future periods. Additionally, as reported in the prior quarter, the Toll Revenue amount reported for August 2021 included an accrual of approximately \$109,650 for a portion of the Non-ETC toll transactions that occurred on the System during Fiscal Year 2021. Cash payments approximately equal to such

accrual amount were received by the Custodian and were subsequently remitted to the Trustee in April 2022.

A portion of the revenues relating to the Non-ETC toll transactions that occurred on the System during the first half of Fiscal Year 2022 may not be recognized due to certain limitations relating to the transition to the new TxDOT Back Office System.

Citing continued challenges with an upgraded Back Office System delivered by the back office services provider (IBM), TxDOT terminated its remaining contract with IBM in August 2021, effective November 29, 2021. TxDOT has obtained new interim technology providers to assist with stabilizing and improving TxDOT's Back Office System to manage customer data and toll transactions. TxDOT is in the process of evaluating alternative service provider options that would assume responsibilities from the interim team.

Interest and Other Revenue

Interest and Other Revenue includes amounts received from any sales of property included in the System.

Operations and Maintenance Expense Recognition

Per the Master Trust Agreement, all revenues remaining after deposits are made to the System debt service accounts are required to be deposited into the Rate Stabilization Fund until \$20 million has been transferred. While this requirement is in place, the System will not report expenses which are being paid by TxDOT pursuant to its covenant in the Master Trust Agreement to cover shortfalls in the Operating Account.

Transactions

Transactions reported in the table above are shown for two-axle vehicles ("Auto") and greater than two-axle ("Truck") classes. Total transactions reported include all toll transactions (ETC and Non-ETC) that occurred on the System during the reporting period, regardless of whether the revenues relating to such transactions were recognized during such period.

6.0 Outstanding Obligations (In Thousands)

| | Bonds Issued (Original Par) | Total Principal Repaid to Date | Outstanding Par | Outstanding Value with Accretion ⁽¹⁾ |
|---------------------------------------|--------------------------------|-----------------------------------|--------------------|---|
| First Tier Toll Revenue Bonds | | | | |
| Series 2019-A | | | | |
| Current Interest Bonds | \$ 144,085 | \$ - | \$ 144,085 | \$ 144,085 |
| Capital Appreciation Bonds | 92,372 | - | 92,372 | 106,601 |
| Series 2019-B | 12,795 | - | 12,795 | 12,795 |
| Total First Tier Revenue Bonds | \$ 249,252 | - | \$ 249,252 | \$ 263,481 |

⁽¹⁾ The accreted value for the Series 2019-A Capital Appreciation Bonds reflects the accreted value as of 02/28/22.

7.0 Auto Toll Rates by Calendar Year (In Nominal Dollars)

| Segment 1 | Full Length Toll Rates | | Per Mile Toll Rates | |
|------------|------------------------|---------|---------------------|---------|
| | CY 2021 | CY 2022 | CY 2021 | CY 2022 |
| Segment 1A | \$1.75 | \$1.85 | \$0.27 | \$0.29 |
| Segment 1B | \$2.28 | \$2.42 | \$0.27 | \$0.29 |

The toll rates shown are for ETC transactions for two-axle vehicles ("Auto") and take effect January 1 of each calendar year (CY). The Full Length Toll Rates are the summation of the base auto tolls charged when paying with TxTag at all mainline gantries when traveling the full length of each section. Non-ETC transactions apply a 50% surcharge over the ETC rates shown.

The Commission's toll rate policy for SH 249 includes an annual escalation of toll rates based on increases in the Consumer Price Index-Urban (CPI-W). In October 2021, the SH 249 toll rate escalation percentage was calculated to be 6.0% which took effect January 1, 2022.

8.0 Account Balances and Activity (In Thousands)

| Description | Market Value 11/30/21 | Revenue | Investments & Misc. | Transfers In / (Out) | Payments | Net Change in Value | Total Change | Market Value 02/28/22 |
|-------------------------------------|--------------------------|-----------------|------------------------|-------------------------|-------------------|------------------------|-----------------|--------------------------|
| Revenue Fund | \$ 2,158 | \$ 4,759 | \$ 1 | \$ - | \$ - | \$ - | \$ 4,760 | \$ 6,917 |
| First Tier Debt Service Funds: | | | | | | | | |
| Interest Account * | 7,800 | - | 2 | - | (3,899) | - | (3,898) | 3,902 |
| Series 2019A Capitalized Interest * | 7,267 | - | 4 | - | - | (16) | (12) | 7,255 |
| Series 2019A Reserve * | 23,675 | - | 2 | - | - | (341) | (339) | 23,336 |
| Series 2019B Reserve * | 1,285 | - | - | - | - | - | - | 1,285 |
| Rate Stabilization Fund | 12,273 | - | 5 | - | - | (32) | (27) | 12,246 |
| Construction Fund | 2,996 | - | 1 | - | - | - | 1 | 2,997 |
| Grand Total | \$ 57,453 | \$ 4,759 | \$ 14 | \$ - | \$ (3,899) | \$ (389) | \$ 485 | \$ 57,938 |

Totals may not sum due to rounding.

Account Balances and Activity reflect actual balances at market value of, and actual posted activity for, funds and accounts established pursuant to the Master Trust Agreement. Revenue earned but not yet received (except for interest income on some investments) and expenses incurred but not yet paid are not reported in the above table. Toll revenues and interoperability fees for transactions occurring in a particular month are generally invoiced and paid among the partnering agencies under the Central Interoperability Agreement by the end of the following month; however, the timing of invoicing and payment among the partnering agencies may extend beyond

thirty days from the end of the month in which the related transactions occurred.

Investment income generally reflect cash-basis receipts, offset by purchased accrued interest and adjusted for interest earned on TexPool investments, but not received in trust accounts until after period end.

Deposits into funds or accounts denoted by an asterisk (*) are excluded from Revenues of the System.

Prior to the last day of Fiscal Year 2021, the System's First Tier debt service scheduled for Fiscal Year 2022 was pre-funded 100 percent in the First Tier Interest Account.

9.0 Investment Report as of February 28, 2022 (In Dollars)

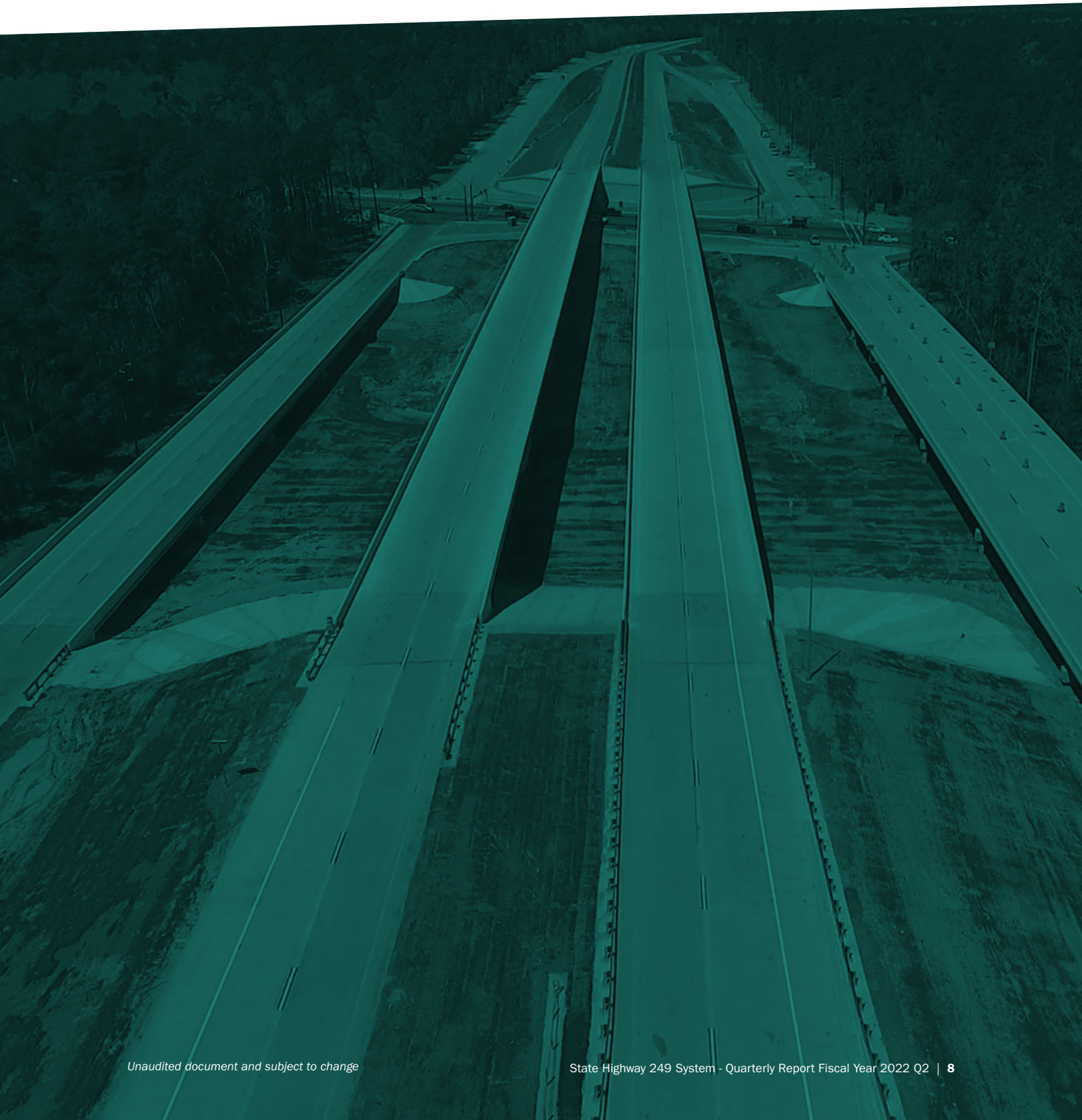
| Account Name | Security Type | Par | Coupon / Yield | Maturity | Market Value |
|---|------------------|--------------|----------------|----------|--------------|
| Revenue Fund | | | | | |
| | Money Market | \$50,135 | 0.03% | N/A | \$50,135 |
| | TexPool Prime | 6,867,233 | 0.11% | N/A | 6,867,233 |
| Revenue Fund Total | | 6,917,368 | | | 6,917,368 |
| First Tier Debt Service Funds | | | | | |
| First Tier Interest Account | TexPool Prime | 3,901,996 | 0.11% | N/A | 3,901,996 |
| First Tier Interest Account Total | | 3,901,996 | | | 3,901,996 |
| Series 2019A Capitalized Interest | TexPool Prime | 273,181 | 0.11% | N/A | 273,181 |
| | FHLB | 7,000,000 | 0.11% | 08/12/22 | 6,981,870 |
| Series 2019A Capitalized Interest Total | | 7,273,181 | | | 7,255,051 |
| Series 2019A Reserve | TexPool Prime | 750,671 | 0.11% | N/A | 750,671 |
| | FHLB | 2,500,000 | 0.90% | 01/27/25 | 2,477,400 |
| | FHLB | 5,500,000 | 1.00% | 08/01/25 | 5,484,985 |
| | FFCB | 10,000,000 | 1.33% | 11/03/26 | 9,732,300 |
| | FHLB | 5,000,000 | 1.38% | 11/18/26 | 4,890,600 |
| Series 2019A Reserve Total | | 23,750,671 | | | 23,335,956 |
| Series 2019B Reserve | TexPool Prime | 1,285,188 | 0.11% | N/A | 1,285,188 |
| Series 2019B Reserve Total | | 1,285,188 | | | 1,285,188 |
| Rate Stabilization Fund | | | | | |
| | US Treasury Note | 5,000,000 | 0.12% | 01/31/23 | 4,957,050 |
| | TexPool Prime | 7,289,176 | 0.11% | N/A | 7,289,176 |
| Rate Stabilization Fund Total | | 12,289,176 | | | 12,246,226 |
| Construction Fund | | | | | |
| | TexPool Prime | 2,996,638 | 0.11% | N/A | 2,996,638 |
| Construction Fund Total | | 2,996,638 | | | 2,996,638 |
| Grand Total | | \$58,414,218 | | | \$57,938,423 |

Market Value includes interest earned on TexPool and TexPool Prime investments, but not received in Trust Accounts until after period end.

Amounts shown as on deposit in the Revenue Fund represent balance prior to transfer of funds from the Revenue Fund by the Trustee in accordance with Section 507 of the Master Trust Agreement.

10.0 Other Information

NONE



11.0 Relevant Links and Contact Information

Additional information regarding the System is available using the web addresses provided below. Such reports and additional information should not be considered to speak as of any date other than the date indicated in such document.

| | |
|--|---|
| EMMA Website | www.emma.msrb.org |
| SH 249 EMMA Issuer Homepage | https://emma.msrb.org/IssuerHomePage/Issuer?id=82D0858ED4F00CCFE053151E6E0A8F97&type=M |
| SH 249 Annual Continuing Disclosure (Fiscal Year 2021) | https://emma.msrb.org/P21616613.pdf |
| SH 249 Annual Inspection Report (Fiscal Year 2021) | https://emma.msrb.org/P21564185.pdf |
| SH 249 2019 Official Statement | https://emma.msrb.org/ES1373659.pdf |
| TxDOT Investor Relations Website | www.txdot.gov/inside-txdot/division/debt/investors.html |

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