

State Highway 249 System

Annual Continuing Disclosure Report

For the Fiscal Year ended August 31, 2021



Relating to Each Outstanding Issue with CUSIP Prefixes 88283N
Filed by the Texas Transportation Commission on February 28, 2022
Pursuant to Continuing Disclosure Undertakings for Compliance with SEC Rule 15c2-12



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1.0 Disclaimer

Relating to Each Outstanding Issue with CUSIP Prefix 88283N.*

This annual report (the “Annual Report”) is being provided by the Texas Transportation Commission (the “Commission”), the governing body of the Texas Department of Transportation (the “Department” or “TxDOT”) in compliance with the contractual undertaking (an “Undertaking”) to provide annual reports of financial information and operating data, as required by Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), regarding the municipal debt issues (each an “Issue”) by the Commission for the State Highway 249 System (“SH 249” or “System”).

Pursuant to the rules of the Municipal Securities Rulemaking Board (the “MSRB”) the participating underwriters for the Issues were required to file a copy of one or more Official Statements relating to the referenced Issues (collectively, the “Official Statement”) with the MSRB, copies of which are currently available on the internet page for the [TEXAS TRANSPORTATION COMMISSION, SH 249 TOLL REVENUE BONDS \(TX\)](#) on the MSRB’s Electronic Municipal Market Access (“EMMA”) system (the “SH 249 EMMA Issuer Homepage”).

The Official Statement should not be considered to speak as of any date other than the date indicated in such document. Capitalized terms used in this Annual Report and not otherwise defined herein shall have the meanings given in the Official Statement.

Information in this Annual Report regarding the Commission and the System have been compiled and provided by TxDOT, on behalf of the Commission, from TxDOT’s records and other sources which are believed by TxDOT to be reliable and is provided in satisfaction of the Undertaking. This Annual Report contains information prescribed by the Rule and neither the Commission nor TxDOT makes any 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 the Issues. Information agreed to be provided by the Commission may be reported in full text herein, or

may be incorporated by reference to certain other publicly available documents.

References to internet website addresses presented herein 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, and are not part of, this Annual Report. All website links referenced in this Annual Report are also available at the end of this Annual Report in the Section entitled “9.0. 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 accessible on the MSRB’s EMMA system. The Commission and the Department continue to monitor the spread of COVID-19 and are working with local, state, and national agencies to address the impact of COVID-19.

The information contained in this Annual Report is provided as of the respective dates and for the periods specified herein, and the filing of this Annual Report does not, under any circumstances, imply that there has been no change in the affairs of SH 249 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 SH 249, 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 SH 249. Accordingly, the historical information set forth in this Annual Report may not be indicative of future results or performance due to these and other factors.

* All such debt currently “Outstanding” and payable from “Revenues” as such terms are defined in the Official Statement (defined herein).

2.0 Debt Service Requirements for the Bonds (In Thousands)

Fiscal Year Ending Aug 31	Series 2019A Current Interest Bonds				Series 2019A Capital Appreciation Bonds			Series 2019B Taxable Current Interest Bonds				Total Net Debt Service on the Bonds
	Principal	Interest	Capitalized Interest	Net Debt Service	Principal	Accreted Interest	Net Debt Service	Principal	Interest	Capitalized Interest	Net Debt Service	
2022	\$ -	\$ 7,204	\$ 4,581	\$ 2,623	\$ -	\$ -	\$ -	\$ -	\$ 595	\$ -	\$ 595	\$ 3,218
2023	-	7,204	3,475	3,729	-	-	-	-	595	-	595	4,324
2024	-	7,204	2,139	5,065	-	-	-	-	595	-	595	5,660
2025	-	7,204	840	6,364	-	-	-	-	595	-	595	6,959
2026	-	7,204	-	7,204	-	-	-	-	595	-	595	7,799
2027	-	7,204	-	7,204	-	-	-	-	595	-	595	7,799
2028	-	7,204	-	7,204	244	91	335	-	595	-	595	8,134
2029	-	7,204	-	7,204	711	319	1,030	-	595	-	595	8,829
2030	-	7,204	-	7,204	-	-	-	1,455	595	-	2,050	9,254
2031	-	7,204	-	7,204	-	-	-	2,650	529	-	3,179	10,383
2032	-	7,204	-	7,204	-	-	-	3,640	407	-	4,047	11,251
2033	-	7,204	-	7,204	-	-	-	5,050	237	-	5,287	12,492
2034	-	7,204	-	7,204	3,110	2,850	5,960	-	-	-	-	13,164
2035	-	7,204	-	7,204	3,436	3,599	7,035	-	-	-	-	14,239
2036	-	7,204	-	7,204	3,783	4,407	8,190	-	-	-	-	15,394
2037	-	7,204	-	7,204	4,089	5,331	9,420	-	-	-	-	16,624
2038	-	7,204	-	7,204	4,396	6,344	10,740	-	-	-	-	17,944
2039	-	7,204	-	7,204	4,707	7,453	12,160	-	-	-	-	19,364
2040	-	7,204	-	7,204	4,979	8,696	13,675	-	-	-	-	20,879
2041	-	7,204	-	7,204	5,130	9,800	14,930	-	-	-	-	22,134
2042	-	7,204	-	7,204	5,165	10,745	15,910	-	-	-	-	23,114
2043	-	7,204	-	7,204	5,215	11,720	16,935	-	-	-	-	24,139
2044	-	7,204	-	7,204	5,230	12,770	18,000	-	-	-	-	25,204
2045	-	7,204	-	7,204	5,261	13,849	19,110	-	-	-	-	26,314
2046	-	7,204	-	7,204	5,277	14,903	20,180	-	-	-	-	27,384
2047	-	7,204	-	7,204	5,270	15,950	21,220	-	-	-	-	28,424
2048	-	7,204	-	7,204	5,259	17,046	22,305	-	-	-	-	29,509
2049	-	7,204	-	7,204	5,243	18,182	23,425	-	-	-	-	30,629
2050	-	7,204	-	7,204	5,175	19,410	24,585	-	-	-	-	31,789
2051	-	7,204	-	7,204	5,098	20,597	25,695	-	-	-	-	32,899
2052	-	7,204	-	7,204	5,004	21,766	26,770	-	-	-	-	33,974
2053	23,610	7,204	-	30,814	592	2,758	3,350	-	-	-	-	34,164
2054	27,950	6,024	-	33,974	-	-	-	-	-	-	-	33,974
2055	29,350	4,626	-	33,976	-	-	-	-	-	-	-	33,976
2056	30,815	3,159	-	33,974	-	-	-	-	-	-	-	33,974
2057	32,360	1,618	-	33,978	-	-	-	-	-	-	-	33,978
Total	\$ 144,085	\$ 245,963	\$ 11,035	\$ 379,012	\$ 92,372	\$ 228,588	\$ 320,960	\$ 12,795	\$ 6,525	\$ -	\$ 19,320	\$ 719,292

3.0 TxDOT and the State Highway Fund

For information regarding the Department and the State Highway Fund (“SHF”), reference is made to the SHF disclosures which are available online at the Texas Transportation Commission [SHF EMMA issuer homepage](#). The State Highway Fund Annual Continuing Disclosure

Report for the Fiscal Year Ended August 31, 2021 may be found online at the Texas Transportation Commission SHF EMMA issuer homepage for CUSIP prefix 88283L and is incorporated by reference into and made a part of this Annual Report.

4.0 TxDOT Annual Comprehensive Financial Report

The [TxDOT Annual Comprehensive Financial Report \(“ACFR”\)](#) for the Fiscal Year Ended August 31, 2021 may be found online at the SHF EMMA issuer homepage for CUSIP prefix 88283L and is incorporated by reference into and made

a part of this Annual Report. The financial report for the System is contained within the TxDOT ACFR as a discrete enterprise account or fund in accordance with Section 709 of the Master Trust Agreement.

5.0 Annual Inspection Report

The [General Engineering Consultant’s SH 249 Annual Inspection Report](#) for the Fiscal Year ended August 31, 2021, may be found online at the SH 249 EMMA issuer

homepage and is incorporated by reference into and made a part of this Annual Report.

6.0 Toll Escalation Policy and Toll Rate Schedule

In December 2018, pursuant to Minute Order 115393, the Commission adopted an annual toll rate escalation policy (the “Toll Rate Escalation Policy”) under which rate increases will be considered by the Commission every October and shall be automatically effective on January 1 of the following year, unless the Commission votes prior to January 1 to change the escalation rate. The percentage of annual toll rate escalations is based on the Consumer Prices for Urban Wage Earners and Clerical Workers (CPI-W) before seasonal adjustment, as published by the Bureau of Labor Statistics of the US Department of Labor. A toll

rate escalation percentage of 6% was applied to the current base toll rates for each paypoint of the System generating the schedule of increased toll rates for calendar year 2022 (the SH 249 Toll Rate Schedule) effective January 1, 2022, in accordance with the Toll Rate Escalation Policy.

The [SH 249 Toll Rate Schedule](#) may be found online at the SH 249 EMMA issuer homepage for CUSIP prefix 88283N and is incorporated by reference into and made a part of this Annual Report.

7.0 System Revenue, Expense, and Debt Service Coverage (In Thousands)

Fiscal Year Ended August 31, 2021	
Revenues¹	
Toll Revenue ²	\$ 5,768
Interest & Other Revenue ³	92
Total Revenue	\$ 5,860
Current Debt Service⁴	\$ -
First Tier Debt Service Coverage Ratio⁴	n/a
Revenues in Excess of Current Debt Service	\$ 5,860
System Operations, Maintenance, Major Maintenance, and Capital Expenditures^{1,6}	\$ -
Deposit to the Debt Service Accounts⁵	3,854
Deposit to the Rate Stabilization Fund⁶	2,006
Available Revenues	\$ -

Note: Totals may not sum due to rounding.

¹ Revenues and expenses are reported on the accrual basis of accounting.

² Fiscal Year 2021 Toll Revenue in the table above includes an accrual of approximately \$110,000 for a portion of non-ETC transactions that occurred on the System since November 17, 2020. The custodial bank has received cash payments equal to the amount of this accrual in its accounts related to the Master Lockbox and Custodial Account Agreement, however, such amount has not been remitted to the SH 249 Trustee as of the date of this Annual Report. See "8.0 Other Information – B. TxDOT Back Office" herein for more information.

³ Primarily consists of interest earnings on the Rate Stabilization Fund but also includes interest earnings in the Revenue and Construction Funds. Interest income excludes certain interest income which is not pledged for the payment of debt service.

⁴ Debt service is shown net of amounts funded from capitalized interest. Fiscal Year 2021 System debt service was fully funded from capitalized interest, therefore, calculation of First Tier Debt Service Ratio is not applicable for Fiscal Year 2021.

⁵ Fiscal Year 2021 Revenues plus allocable Fiscal Year 2022 capitalized interest were deposited into the First Tier Debt Service accounts to fund scheduled Fiscal Year 2022 debt service 100%.

⁶ 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.

8.0 Other Information

A. System Construction

The DB Contractor began construction activities in the System on March 15, 2018. Section 1A of the System is 6.4 miles from FM 1774 in Pinehurst to FM 1488 began tolling in December 2020. Section 1B of the System, 8.4 miles from FM 1488 to FM 1774 in Todd Mission, began tolling in March 2021.

For additional information relating to the construction of the System, see the [SH 249 System Quarterly Construction Progress Report for the period ending May 31, 2021 \(the “Quarterly Construction Report”\)](#) available on the SH 249 EMMA issuer homepage. Such report was the final quarterly construction report filed for the System, pursuant to Section 407 of the Master Trust Agreement.

B. Back Office System

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 electronic toll collections (“ETC”) transactions through the new TxDOT Back Office System, statement processing, non-ETC billing 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 Annual 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.

The Toll Revenue amount reported for Fiscal Year 2021 in the table “System Revenue, Expense, and Debt Service Coverage” in this Annual Report does not include any revenues relating to non-ETC transactions that have occurred on the System since November 17, 2020, except for an accrual of approximately \$110,000. Cash payments equal to the amount of this accrual have been received by the custodian pursuant to the Master Lockbox and Custodial Account Agreement (the “Custodian”); however, as of the date of this Annual Report, such amount has not been remitted to the System’s trustee (the “Trustee”) under the Master Trust Agreement. A portion of the revenues relating to the non-ETC toll transactions that have occurred on the System since November 17, 2020 was not able to be recognized for Fiscal Year 2021 due to certain limitations relating to the transition to the new TxDOT Back Office System.

During the first quarter of Fiscal Year 2022, the Custodian received cash payments relating to a portion of the non-

ETC toll transactions that have occurred on the System; however, as of this date of this Annual Report, such payments have not been remitted to the Trustee. Such payments may be recognized as revenue in future periods. A portion of the revenues relating to the non-ETC toll transactions that occurred on the System during the first quarter 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.

Crowe LLP (“Crowe”), the independent auditor of TxDOT’s financial statements for the Fiscal Year ended August 31, 2021, delivered its Independent Auditor’s Report thereon containing its unmodified opinion with respect to such financial statements. In connection with planning and performing such audit, Crowe identified a material weakness in TxDOT’s internal controls over the implementation of its new Back Office System, which was separately reported to the Commission and TxDOT. TxDOT has responded to Crowe’s findings and is implementing corrective actions. The audited financial statements of TxDOT for the Fiscal Year ended August 31, 2021, including the Independent Auditor’s Report thereon, are contained in TxDOT’s ACFR for such Fiscal Year, which is accessible on the MSRB’s EMMA system.

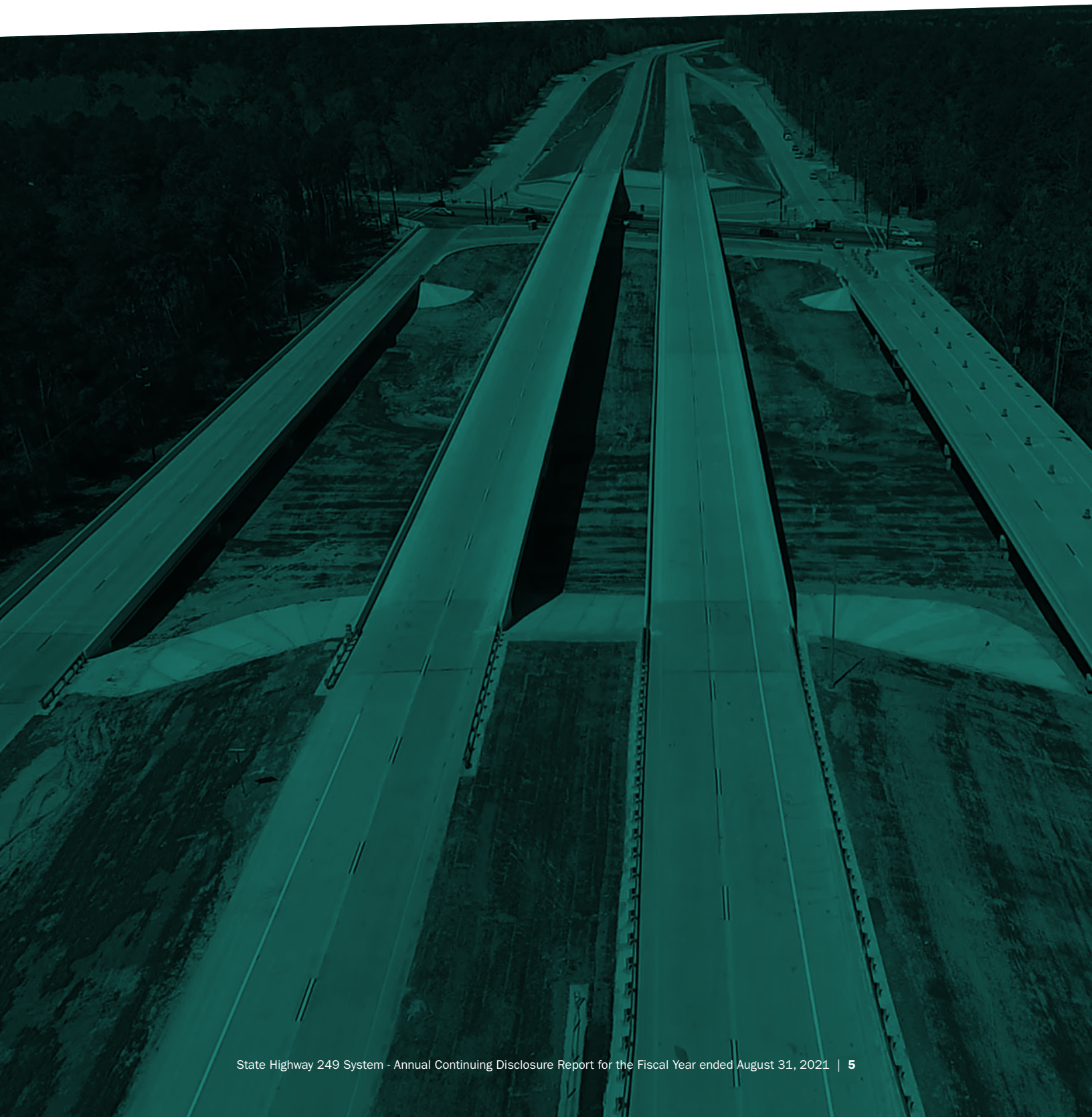
B. Changes in Administration

Executive Director of TxDOT

Effective June 1, 2021, Marc D. Williams, P.E. was appointed Executive Director of TxDOT.

Chief Financial Officer of TxDOT

Effective April 7, 2021, Stephen Stewart, CPA, was appointed Chief Financial Officer of TxDOT.



9.0 Relevant Links

Reports 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 Toll Rate Schedule	https://emma.msrb.org/P11632068.pdf
SH 249 Annual Inspection Report; September 1, 2020 thru August 31, 2021	https://emma.msrb.org/P21564185.pdf
SH 249 System Quarterly Construction Progress Report, March 1, 2021 through May 31, 2021	https://emma.msrb.org/P21564178.pdf
SHF EMMA Issuer Homepage	www.emma.msrb.org/IssuerHomePage/Issuer?id=FE6AF031FB2E2FD1E043151ED20ABC22&type=M
TxDOT ACFR for Fiscal Year 2021	https://emma.msrb.org/P21599038.pdf
TxDOT Website	www.txdot.gov
TxDOT Investor Relations Website	www.txdot.gov/inside-tdot/division/debt/investors.html

10.0 Contact Information

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