

# State Highway 249 System

Quarterly Traffic and Operating Report

For the Fiscal Quarter ended August 31, 2022





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# Table of Contents

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1.0 Disclaimer .....	ii
2.0 Report Notes .....	1
3.0 SH 249 System Map .....	2
4.0 Executive Summary (In Thousands).....	3
5.0 System Revenues, Expenses, and Transactions (In Thousands).....	4
6.0 Outstanding Obligations (In Thousands) .....	5
7.0 Auto Toll Rates by Calendar Year (In Nominal Dollars).....	6
8.0 Account Balances and Activity (In Thousands).....	6
9.0 Investment Report as of August 31, 2022 (In Dollars).....	7
10.0 Other Information .....	8
11.0 Relevant Links and Contact Information .....	9

# 1.0 Disclaimer

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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") based upon 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

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- 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.

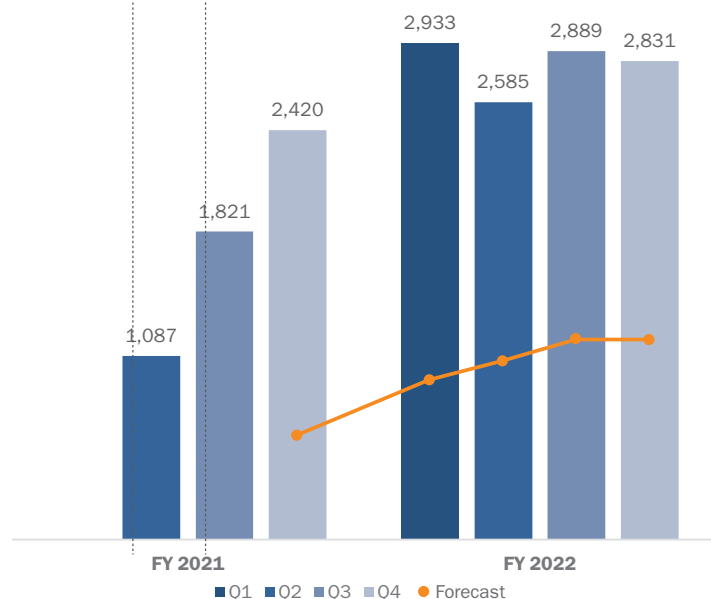
For purposes of managing the design and construction, Segment 1 is further divided into two Sections comprising of: Section 1A from FM 1774 in Pinehurst to FM 1488, a distance of 6.4 miles; and Section 1B from FM 1488 to FM 1774 near Todd Mission, a distance of 8.4 miles. The 2018 T&R Study provides 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 August 31, 2022, the 2018 T&R Study projected toll revenues of \$1.8 million with 1.2 million toll transactions. Actual toll revenue collected for the same period was approximately \$4.5 million with over 2.8 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		
	Jun-22	Jul-22	Aug-22	FY 2022	FY 2021	\$/# Variance	FY 2022	FY 2021	\$/# Variance
<b>Revenues</b>									
Toll Revenue	\$ 1,322	\$ 1,774	\$ 1,436	\$ 4,532	\$ 1,299	\$ 3,232	\$ 15,849	\$ 5,617	\$ 10,232
Interest & Other Revenue	57	78	75	210	92	118	363	419	(55)
<b>Total Revenue</b>	<b>\$ 1,379</b>	<b>\$ 1,852</b>	<b>\$ 1,511</b>	<b>\$ 4,741</b>	<b>\$ 1,391</b>	<b>\$ 3,350</b>	<b>\$ 16,212</b>	<b>\$ 6,036</b>	<b>\$ 10,177</b>
<b>Expenses</b>									
O&M Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Major Maintenance	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Transactions</b>									
Auto	863	845	911	2,619	2,264	355	10,486	4,997	5,489
Truck	74	67	71	212	156	55	752	332	421
<b>Total Transactions</b>	<b>937</b>	<b>912</b>	<b>982</b>	<b>2,831</b>	<b>2,420</b>	<b>410</b>	<b>11,238</b>	<b>5,328</b>	<b>5,910</b>

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 occurring in a given month may be deferred to a future month due to back office system processing delays and other factors. Non-ETC toll revenues are recognized and reported when cash payment is received. 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. Additionally, revenue does not reflect fiscal year-end adjustments in the Annual Financial Report.

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 transactions attributable to the transition have been substantially resolved.

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

As reported in prior quarters, 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 were received by the Custodian and were subsequently remitted to the Trustee in April 2022.

During the third quarter of Fiscal Year 2022, the Custodian received payments of approximately \$398,000 relating to a portion of the Non-ETC toll transactions that occurred on the System; however, such payments were not remitted to the Trustee by May 31, 2022. Cash payments equal to such amount were received in July 2022 and are included in toll revenues in the table above. Non-ETC toll revenue received during



the fourth quarter Fiscal Year 2022 was remitted to the System's trustee during the same quarter and is also included in the table on the previous page.

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 <sup>(1)</sup>
<b>First Tier Toll Revenue Bonds</b>				
Series 2019-A				
Current Interest Bonds	\$ 144,085	\$ -	\$ 144,085	\$ 144,085
Capital Appreciation Bonds	92,372	-	92,372	109,216
Series 2019-B	12,795	-	12,795	12,795
<b>Total First Tier Revenue Bonds</b>	<b>\$ 249,252</b>	<b>-</b>	<b>\$ 249,252</b>	<b>\$ 266,096</b>

<sup>(1)</sup> The accreted value for the Series 2019-A Capital Appreciation Bonds reflects the accreted value as of 08/31/22.

## 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 percent surcharge over the ETC rates shown.

See Section “10.0 Other Information” for additional information on the CY 2023 toll rate escalation for SH 249.

## 8.0 Account Balances and Activity (In Thousands)

Description	Market Value 02/28/22	Revenue	Investments & Misc.	Transfers In / (Out)	Payments	Net Change in Value	Total Change	Market Value 05/31/22
Revenue Fund	\$ 11,306	\$ 2,515	\$ 56	\$ (13,851)	\$ -	\$ -	\$ (11,281)	\$ 26
First Tier Debt Service Funds:								
Interest Account *	3,907	-	10	7,799	(3,899)	-	3,909	7,816
Series 2019A Capitalized Interest *	7,260	-	-	(3,475)	-	13	(3,462)	3,804
Series 2019A Reserve *	22,763	-	36	-	-	(651)	(615)	22,148
Series 2019B Reserve *	1,287	-	6	-	-	-	6	1,292
Rate Stabilization Fund	12,243	-	36	9,527	-	(7)	9,556	21,798
Construction Fund	3,000	-	13	-	-	-	13	3,014
Grand Total	\$ 61,766	\$ 2,515	\$ 156	\$ -	\$ (3,899)	\$ (645)	\$ (1,874)	\$ 59,898

Totals may not sum due to rounding.

\* Deposits into funds or accounts are excluded from Revenues of the System.

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.

Prior to the last day of Fiscal Year 2022, the System's First Tier debt service scheduled for Fiscal Year 2023 was pre-funded 100 percent in the First Tier Interest Account.

## 9.0 Investment Report as of August 31, 2022 (In Dollars)

Account Name	Security Type	Coupon / Yield	Maturity	Book Value	Market Value
<b>Revenue Fund</b>					
	TexPool Prime	2.30%	N/A	25,516	25,516
Revenue Fund Total				25,516	25,516
<b>First Tier Debt Service Funds</b>					
First Tier Interest Account	TexPool Prime	2.30%	N/A	7,815,767	7,815,767
	Money Market	2.10%	N/A	661	661
First Tier Interest Account Total				7,816,428	7,816,428
Series 2019A Capitalized Interest	TexPool Prime	2.30%	N/A	274,728	274,728
	Money Market	2.10%	N/A	3,528,951	3,528,950
Series 2019A Capitalized Interest Total				3,803,679	3,803,678
Series 2019A Reserve	TexPool Prime	2.30%	N/A	861,001	861,001
	Money Market	2.10%	N/A	32,189	32,189
	FHLB	0.90%	01/27/25	2,496,989	2,380,425
	FHLB	1.00%	08/01/25	5,500,000	5,216,310
	FFCB	1.33%	11/03/26	10,000,000	9,119,100
	FHLB	1.38%	11/18/26	5,000,000	4,538,850
Series 2019A Reserve Total				23,890,179	22,147,875
Series 2019B Reserve	TexPool Prime	2.30%	N/A	1,292,466	1,292,466
Series 2019B Reserve Total				1,292,466	1,292,466
<b>Rate Stabilization Fund</b>					
	TexPool Prime	2.30%	N/A	16,861,349	16,861,349
	US Treasury Note	0.12%	01/31/23	5,000,060	4,937,100
Rate Stabilization Fund Total				21,861,409	21,798,449
<b>Construction Fund</b>					
	TexPool Prime	2.30%	N/A	3,013,608	3,013,608
Construction Fund Total				3,013,608	3,013,608
Grand Total				\$61,703,284	\$59,898,021

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

## 10.0 Other Information

The Commission's toll rate escalation policy for SH 249 authorizes the TxDOT executive director to annually escalate toll rates on SH 249 by the escalation percentage indicated in the consumer price index (CPI-W) in effect on October 1st each year. The resulting toll rates will become effective automatically on January 1 of the next calendar year and will be implemented by the executive director unless the Commission affirmatively votes prior to January 1 to modify the toll rate escalation percentage. In October 2021, the SH 249 toll rate escalation percentage was calculated to be 6.0 percent for CY 2022 which took effect January 1, 2022. At

the Commission's meeting in September 2022 (which occurred subsequent to the end of FY 2022 Q4), TxDOT reported to the Commission that the SH 249 toll rate escalation percentage was calculated to be 8.30%. Pursuant to Minute Order 116330, dated September 22, 2022, the Commission determined that the reported toll rate escalation percentage is unusually high and modified the toll rate escalation percentage for SH 249 to be 0.00%. Unless there is further action by the Commission during CY 2022, SH 249 tolls rates for CY 2023 will remain unchanged from CY 2022.



## 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	<a href="http://www.emma.msrb.org">www.emma.msrb.org</a>
SH 249 EMMA Issuer Homepage	<a href="https://emma.msrb.org/IssuerHomePage/Issuer?id=82D0858ED4F00CCFE053151E6E0A8F97&amp;type=M">https://emma.msrb.org/IssuerHomePage/Issuer?id=82D0858ED4F00CCFE053151E6E0A8F97&amp;type=M</a>
SH 249 Annual Continuing Disclosure (Fiscal Year 2021)	<a href="https://emma.msrb.org/P21616613.pdf">https://emma.msrb.org/P21616613.pdf</a>
SH 249 Annual Inspection Report (Fiscal Year 2022)	<a href="https://emma.msrb.org/P11614638-P11244790-P11668757.pdf">https://emma.msrb.org/P11614638-P11244790-P11668757.pdf</a>
SH 249 2019 Official Statement	<a href="https://emma.msrb.org/ES1373659.pdf">https://emma.msrb.org/ES1373659.pdf</a>
TxDOT Investor Relations Website	<a href="http://www.txdot.gov/inside-txdot/division/debt/investors.html">www.txdot.gov/inside-txdot/division/debt/investors.html</a>

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