

**TEXAS TRANSPORTATION COMMISSION**  
**QUARTERLY INVESTMENT REPORT**  
**AS OF**  
**FEBRUARY 28, 2015**

**Table of Contents**

MANAGEMENT’S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT .....3

**2002 PROJECT OF THE CENTRAL TEXAS TURNPIKE SYSTEM**

MANAGEMENT DISCUSSION .....4

INVESTMENT ACTIVITY.....5

SCHEDULE 1 – INVESTMENTS OUTSTANDING .....6

SCHEDULE 2 – GRAPH – U.S. TREASURY HISTORICAL YIELDS .....7

SCHEDULE 3 – ALLOCATION BY ACCOUNT .....8

SCHEDULE 4 – BAR CHART – MATURITY DISTRIBUTION .....9

SCHEDULE 5 – BAR CHART – INVESTMENT PORTFOLIO QUARTER END VALUES .....10

SCHEDULE 6 – PIE CHART – INVESTMENTS BY SECURITY TYPE.....11

**MANAGEMENT’S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT**

I certify that I have reviewed the Quarterly Investment Report as of and for the period ending February 28, 2015 that is being submitted for acceptance by the Texas Transportation Commission. To the best of my knowledge and belief:

1. In all material respects the Investment Report was prepared in accordance with the guidelines presented in Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal control during the period covered by the report or thereafter.
4. The Investment Report is formally reviewed in conjunction with the annual audit of the Central Texas Turnpike System financial statements. An independent accountant’s report on agreed-upon procedures to review management’s compliance with the Public Funds Investment Act is conducted annually. The report is presented to the Commission.

\_\_\_\_\_  
James M. Bass  
Chief Financial Officer  
Investment Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Benjamin Asher  
Innovative Financing/Debt Management Office  
Investment Officer

\_\_\_\_\_  
Date

## 2002 PROJECT OF THE CENTRAL TEXAS TURNPIKE SYSTEM

### MANAGEMENT DISCUSSION

During the reporting period, all investment funds of the Texas Transportation Commission (Commission) were associated with the Central Texas Turnpike System (the System) obligations. The investments are held by The Bank of New York Mellon, acting as trustee. The State Highway Funds holds \$26,079,357 in Operating, Maintenance and Reserve Maintenance on behalf of the System. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project of the System, revenues derived from operation of the System's toll roads and related investment earnings.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the investment strategy relating to the System:

- 1) suitability of the investment to the financial requirements of the entity;
- 2) preservation and safety of principal;
- 3) liquidity;
- 4) marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) diversification of the investment portfolio; and,
- 6) yield.

The investment instruments described in Schedule 1 are in compliance with the Public Funds Investment Act, investment policy and strategy of the Commission. This report reflects the changes as approved per House Bill 2226, RS 82.

The invested funds are accounted for in a number of specific accounts, as prescribed in the System's Indenture of Trust and shown in Schedule 3 of this report.

1. The Revenue Fund includes proceeds from all revenues and income derived from the operation of the System, including tolls, fees, lease income, certain investment earnings and any excess funds from the Rate Stabilization Fund. Disbursements from the Revenue Fund include funding of amounts necessary for an Arbitrage Rebate Fund (if needed), Debt Service funds, including both interest and principal, the Rate Stabilization Fund, the Operating Account and the General Reserve Fund.
2. The Capital Contributions account was initially funded by amounts received from various local government entities and from the commission for the purpose of paying the costs of the Project. Disbursements from the fund are made to pay costs of the Project, to reimburse entities for excess funds, and to repay related obligations or for other lawful purposes. The current balance in the account consists primarily of commission contributions and account earnings.
3. The First Tier Interest and Principal Accounts and the Subordinate Lien Interest account are funded primarily from the Revenue Account and used to make periodic debt service payments on first tier and subordinate obligations, respectively. If adequate funds are not available in these accounts or the Revenue Fund, transfers may be made from the General Reserve Fund, the Rate Stabilization Fund and the First Tier Debt Service Reserve Fund, in that order. Since the TIFIA loan was paid in full from bond proceeds in February 2015, the remaining Subordinate Lien Interest Account balance was combined with the balance in the First Tier Interest Account.

4. The Rate Stabilization Fund was initially funded from the Revenue Fund and is required to be maintained at a certain level. If the balance falls below the requirement, the deficiency would be cured by deposits from the Revenue Fund over a period of time. The Rate Stabilization Fund is used to cure deficiencies in the first and second tier debt service funds, the Operating Account or may be used to pay operating or maintenance expenses or other legal expenses. Excess funds in the Rate Stabilization Fund may be transferred to the Revenue Fund.

5. The Debt Service Reserve Funds are generally invested for a longer time period but may be called upon to make a debt service payment. Therefore, this fund type requires a high degree of market value protection in the event it is drawn upon. Protection against market value declines can be provided either by rolling short-term securities or purchasing an investment agreement product.

**INVESTMENT ACTIVITY**

Attached as Schedule 1 are the investments outstanding for the quarter ending February 28, 2015. During this quarter, the System issued \$1.6 billion of refunding bonds in February 2015 to refund for savings a portion of the outstanding obligations. As a result of this refinancing, the System will save more than \$380 million in present value dollars, representing more than 21% of the amount of debt refunded, well in excess of the Commission guideline of 3%. On a gross basis, the savings total \$948 million with savings beginning in FY 2026. This is the largest amount of savings ever achieved through a single refunding transaction in Texas.

Impact of 2015 Refunding on System Accounts:

- TIFIA: System paid off the \$900 million TIFIA loan using bond proceeds;
- New Second Tier Debt Service Reserve Fund was created and funded with approximately \$53.1 million of Refunding Bond proceeds.

The Guaranteed Investment Contract is intended to be held to its maturity date of August 15, 2022.

**CURRENT MARKET CONDITIONS**

Various U.S. Treasury yields as of February 28, 2015 are as follows:

3-Month Treasury:	0.03%
2-Year Treasury:	0.64%
10-Year Treasury:	1.98%
Discount Rate:	0.75%

U.S. Treasury yields reflect monthly averages for February 2015 as posted by the Federal Reserve. Schedule 2 presents the U.S. Treasury Historical Yields.

**RECOMMENDED STRATEGY AMENDMENTS**

There are no recommended changes to the investment strategy.

**TEXAS DEPARTMENT OF TRANSPORTATION  
CENTRAL TEXAS TURNPIKE SYSTEM  
SCHEDULE 1  
Investments Outstanding  
Book Value to Fair Value Comparison  
February 28, 2015**

**Portfolio Fair Value**

Beginning, 11/30/2014	\$	488,749,639
Ending, 02/28/2015	\$	566,997,802
Interest and Investment Income	\$	1,527,749
Yield		1.17%

Description	Yield	Maturity Date	February 28, 2015	
			Book Value	Fair Value
<i>Money Market Investments</i>				
JP Morgan Govt MMKT Fund	0.010%		\$ 81,040,601	\$ 81,040,601
Morgan Stanley Govt MMKT Fund	0.040%		\$ 53,132,126	\$ 53,132,126
Cash	0.000%		\$ 201,830	\$ 201,830
<i>US Government Agency Securities</i>				
Federal Home Loan Discount Notes	0.070%	Jul-15	\$ 29,991,848	\$ 29,991,956
<i>Lone Star Investment Pool*</i>				
Government Overnight Fund	0.051%		\$ 87,171,069	\$ 87,171,069
<i>TexPool**</i>				
Local Government Investment Pool	4.130%		\$ 87,189,757	\$ 87,189,757
Prime	0.076%		\$ 87,191,835	\$ 87,191,835
<i>Guaranteed Investment Contract***</i>				
Salomon Master GIC (CUSIP S86538450)	5.20%	Aug-22	\$ 114,999,378	\$ 114,999,378
<i>Due from State Highway Fund</i>				
Operating, Maint. and Reserve Maint.	0.00%		\$ 26,079,357	\$ 26,079,357
			<u>\$ 566,997,802</u>	<u>\$ 566,997,910</u>

**Notes:**

\* This fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 60 days or fewer.

\*\* These pools seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

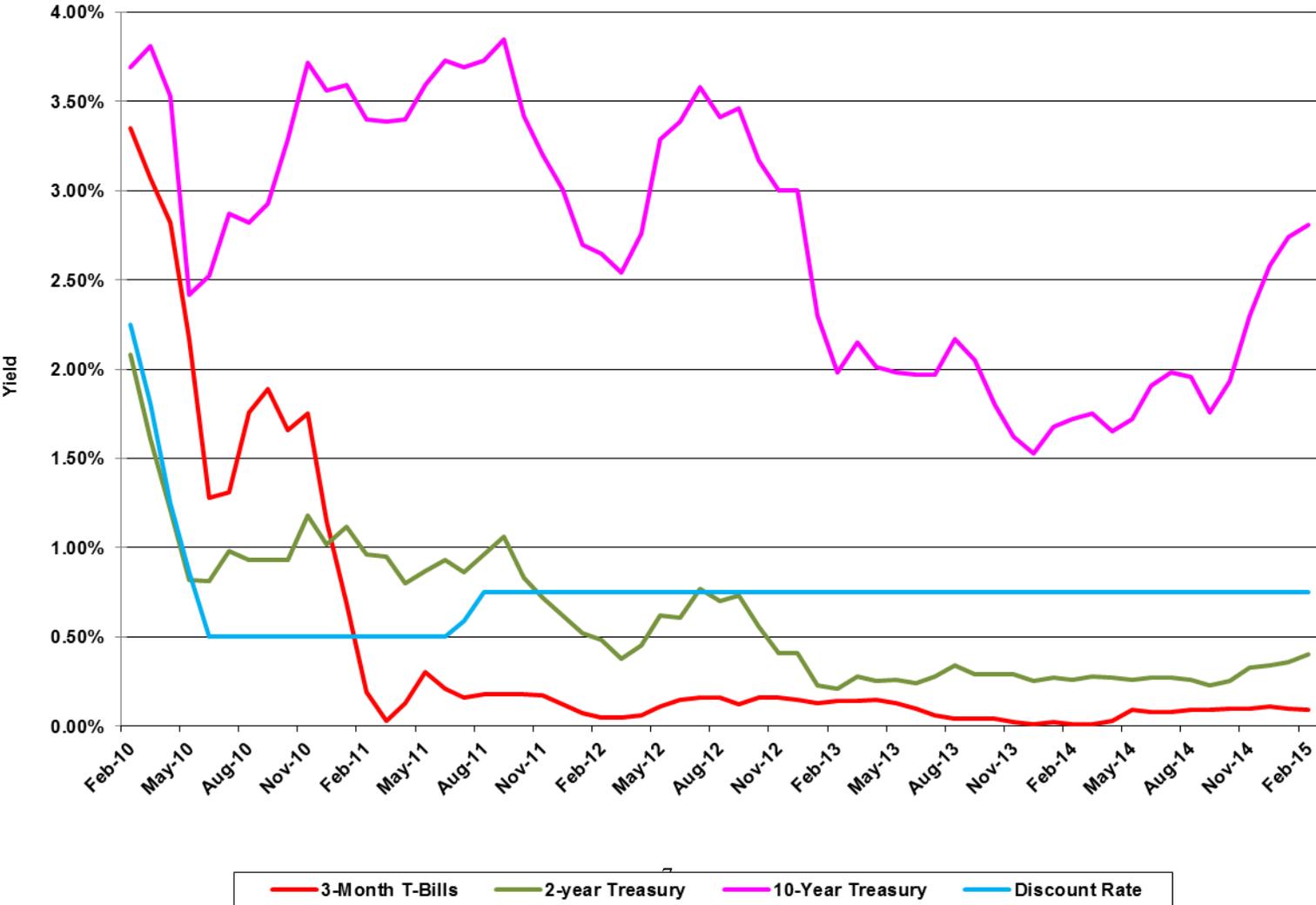
\*\*\*This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

"Weighted average yield to maturity" is the portfolio performance measurement standard.

Yields and fair values as reported on monthly account statements.

Totals may not add due to rounding.

### Schedule 2 U.S. Treasury Historical Yields



**SCHEDULE 3**  
**Allocation by Account**  
**February 28, 2015**

**Allocation - Fair Value**

November 30, 2014

Description	Portfolio Total	Rate Stabilization Fund	Capital Contributions Account	Revenue Fund	Ist Tier Interest Account	Ist Tier Debt Service Reserve	Sub Lien Interest Account	Ist Tier Principal Account	Operating, Maint. and Reserve Maint. in SHF
Due from State Highway Fund	26,079,357								26,079,357
JP Morgan Govt MMKT Fund	\$ 86,155,099	\$ -	\$ 3,375,556	\$ 30,765,925	\$ 17,533,170	\$ 9,955,755	\$ 18,222,027	\$ 6,302,665	\$
U.S. Government Agency Securities									
Lonestar Gov't Overnight Fund	87,160,030	22,635,378	64,524,652						
TexPool Fund	87,180,272	22,603,838	64,576,434						
TexPool Prime Fund	87,175,504	22,610,093	64,565,411						
Guaranteed Investment Contract	114,999,379					114,999,379			
<b>Totals</b>	<b>\$ 488,749,640</b>	<b>\$ 67,849,308</b>	<b>\$ 197,042,053</b>	<b>\$ 30,765,925</b>	<b>\$ 17,533,170</b>	<b>\$ 124,955,134</b>	<b>\$ 18,222,027</b>	<b>\$ 6,302,665</b>	<b>\$ 26,079,357</b>

February 28, 2015

Description	Portfolio Total	Rate Stabilization Fund	Capital Contributions Account	Revenue Fund	Ist Tier Interest Account <sup>A</sup>	Ist Tier Debt Service Reserve	Sub Lien Interest Account	Ist Tier Principal Account	Operating, Maint. and Reserve Maint. in SHF	2nd Tier Debt Service Reserve
JP Morgan Govt MMKT Fund	\$ 81,040,601	\$ -	\$ 3,291,011	\$ 40,279,231	\$ 2,988,770	\$ 9,956,080	\$ 18,222,633	\$ 6,302,875	\$	\$ 53,132,126
Morgan Stanley Govt MMKT Fund	53,132,126									
Cash	201,830			201,830						
U.S. Government Agency Securities	29,991,956			29,991,956						
Lonestar Gov't Overnight Fund	87,171,069	22,638,245	64,532,824							
TexPool Fund	87,189,757	22,606,297	64,583,460							
TexPool Prime Fund	87,191,835	22,614,329	64,577,507							
Guaranteed Investment Contract	114,999,379					114,999,379				
Due from State Highway Fund	26,079,357								26,079,357	
<b>Totals</b>	<b>\$ 566,997,911</b>	<b>\$ 67,858,870</b>	<b>\$ 196,984,802</b>	<b>\$ 70,473,018</b>	<b>\$ 2,988,770</b>	<b>\$ 124,955,459</b>	<b>\$ 18,222,633</b>	<b>\$ 6,302,875</b>	<b>\$ 26,079,357</b>	<b>\$ 53,132,126</b>

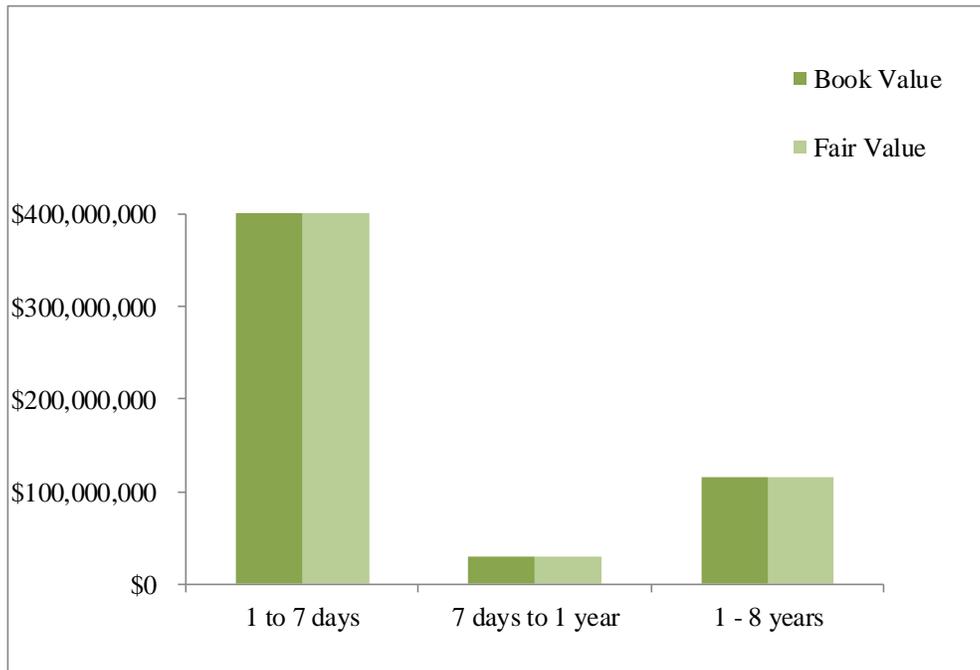
Fair Values as reported on monthly account statements.

Totals may not add due to rounding.

Note <sup>A</sup> - In February, \$14 million in debt service was paid

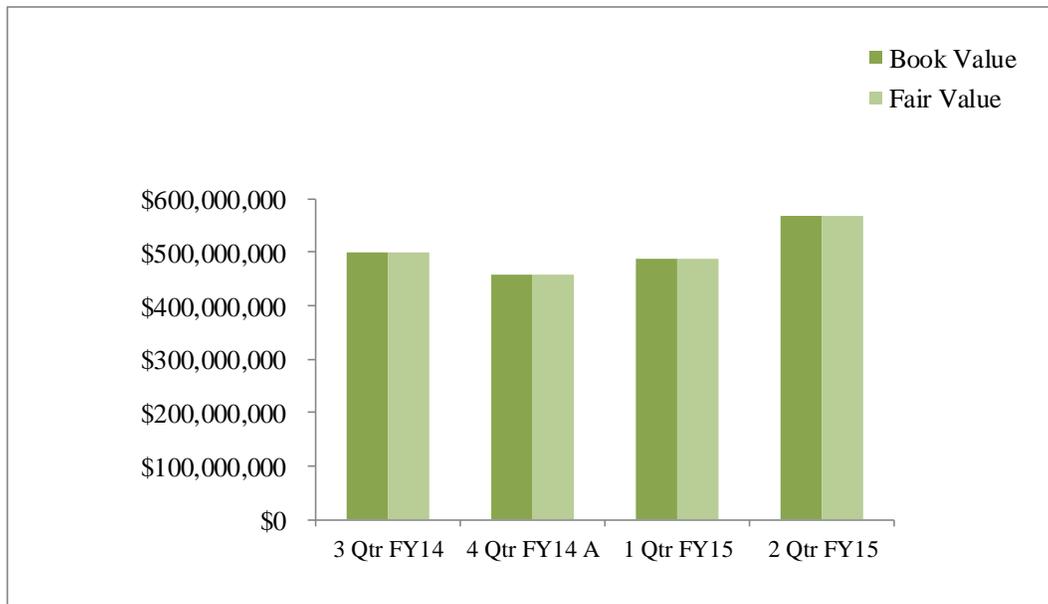
**SCHEDULE 4**  
**Maturity Distribution**  
**February 28, 2015**

<b>Maturity Date</b>	<b>Book Value</b>	<b>Fair Value</b>
1 to 7 days	\$422,006,576	\$422,006,576
7 days to 1 year	\$29,991,848	\$29,991,956
1 - 8 years	114,999,378	114,999,378
<b>Total Investments</b>	<b>\$566,997,802</b>	<b>\$566,997,910</b>



**SCHEDULE 5**  
**Investment Portfolio Quarter End Values**  
**February 28, 2015**

<u>Quarter End Values</u>	<u>Book Value</u>	<u>Fair Value</u>
3 Qtr FY14	499,552,797	499,552,797
4 Qtr FY14 <sup>A</sup>	457,952,430	457,952,430
1 Qtr FY15	488,749,639	488,749,639
2 Qtr FY15	566,997,802	566,997,910



<sup>A</sup> - The August 31, 2014 values were revised to include the \$26,079,357 Operating, Maintenance and Reserve Maintenance accounts held in the State Highway Fund.

**SCHEDULE 6**  
**Investments by Security Type**  
**February 28, 2015**

<b>Security Type</b>	<b>Fair Value</b>
Money Market Investments	\$134,172,727
Cash	\$201,830
US Government Agency Securities	29,991,956
Lone Star Government Overnight Fund	87,171,069
TexPool Local Government Investment Pool	87,189,757
TexPool Prime	87,191,835
Guaranteed Investment Contract (GIC)	114,999,378
Operating, Maint. and Reserve Maint. held in SFH	26,079,357
<b>Total Investments</b>	<b><u><u>\$566,997,910</u></u></b>

