

TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

AS OF

November 30, 2014

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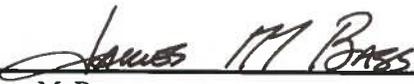
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MANAGEMENT'S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT

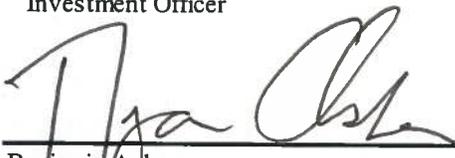
I certify that I have reviewed the Quarterly Investment Report as of and for the period ending November 30, 2014 that is being submitted for acceptance by the Texas Transportation Commission. To the best of my knowledge and belief:

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

1/20/15
Date



Benjamin Asher
Innovative Financing/Debt Management Office
Investment Officer

1/16/15
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 and Principal Accounts 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.
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 tier debt service funds, the second tier debt service funds, the subordinate 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 Fund (DSRF) is 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. A portion of the DSRF (approximately \$10 million) is invested in Money Market Investments. The approximately \$115 million balance is invested in a Guaranteed Investment Contract collateralized by U.S. Treasury and Agency securities. Diversity in maturities was achieved with short-term instruments and a 20-year term for the Guaranteed Investment Contract.

INVESTMENT ACTIVITY

Attached as Schedule 1 are the investments outstanding for the quarter ending November 30, 2014. Investment activity for the quarter consisted of the purchase and sale of money market investments and government pool investments.

The System experienced a \$30.1 million net increase in investments during the first quarter. The net increase was primarily due to increases in the Revenue Fund.

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 November 30, 2014 are as follows:

3-Month Treasury:	0.02%
2-Year Treasury:	0.53%
10-Year Treasury:	2.33%
Discount Rate:	0.75%

U.S. Treasury yields reflect monthly averages for November 2014 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
November 30, 2014**

Portfolio Fair Value

Beginning, 09/01/2014	\$	457,952,430 ^A
Ending, 11/30/2014	\$	488,749,639
Interest and Investment Income	\$	1,527,749
Yield		1.23%

Description	Yield	Maturity Date	November 30, 2014	
			Book Value	Fair Value
<i>Money Market Investments</i>				
JPM US Govt MMKT FD 3164 Capital	0.010%		\$ 86,155,099	\$ 86,155,099
<i>Lone Star Investment Pool*</i>				
Government Overnight Fund	0.050%		\$ 87,160,030	\$ 87,160,030
<i>TexPool**</i>				
Local Government Investment Pool	0.033%		\$ 87,180,272	\$ 87,180,272
Prime	0.059%		\$ 87,175,504	\$ 87,175,504
<i>Guaranteed Investment Contract***</i>				
Salomon Master GIC (CUSIP S86538450)	5.20%	08/15/2022	\$ 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
			\$ 488,749,639	\$ 488,749,639

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.

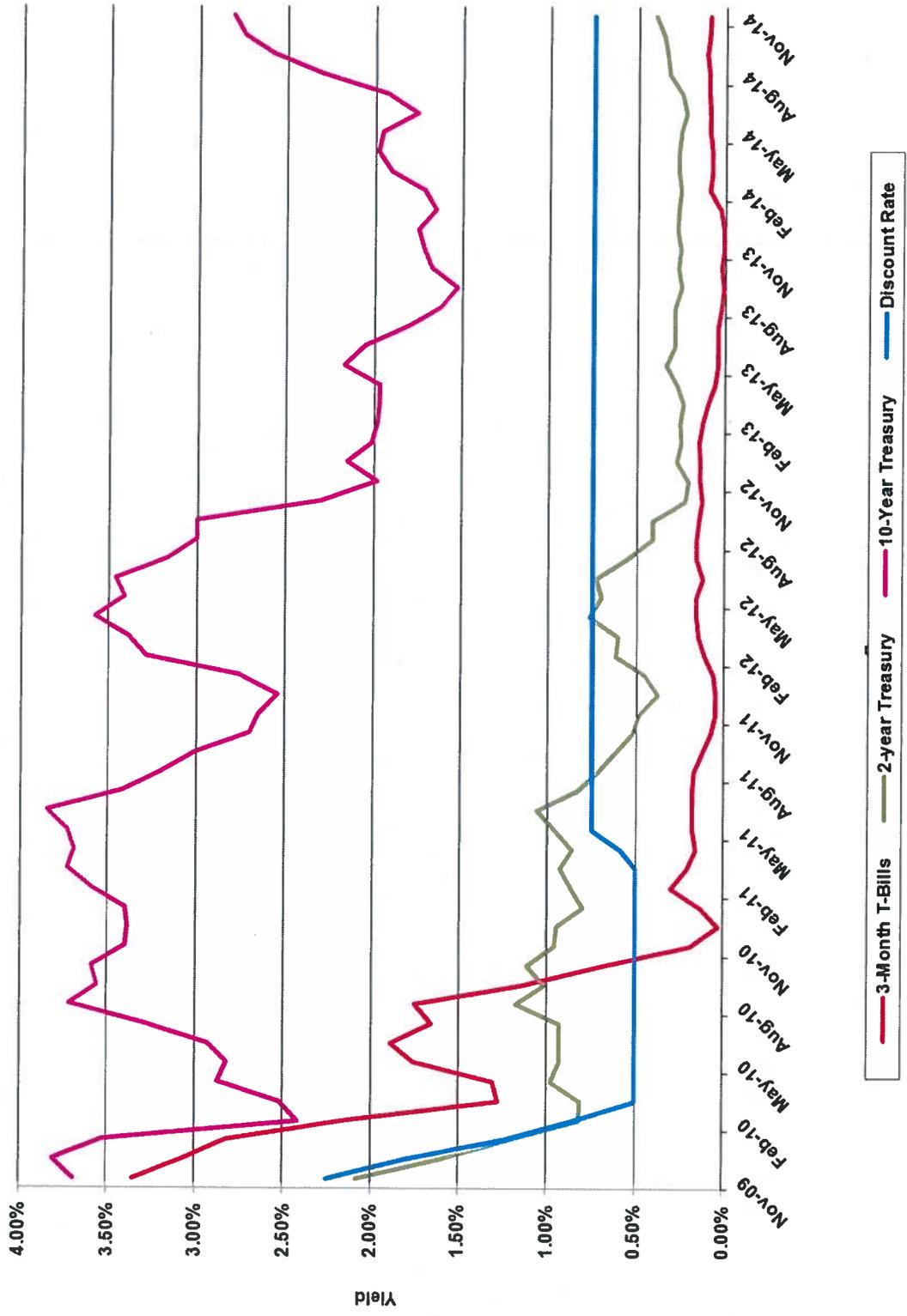
^A Beginning Fair Value has been revised to include the \$26,079,357 due from the State Highway Fund held in custody at the Texas Comptroller's Office. See also Note 6 of the Central Texas Turnpike System Annual Financial Report.

"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
November 30, 2014

Allocation - Fair Value

August 31, 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
Money Market Investments	\$ 55,388,619	\$ -	\$ 3,376,359	\$ -	\$ 17,532,700	\$ 9,955,467	\$ 18,221,593	\$ 6,302,500	
U.S. Government Agency Securities									
Lonestar Gov't Overnight Fund	87,149,647	22,632,681	64,516,965						
TexPool Fund	87,173,858	22,602,175	64,571,684						
TexPool Prime Fund	87,161,571	22,606,479	64,555,092						
Guaranteed Investment Contract	114,999,378					114,999,378			
Due from State Highway Fund	26,079,357								26,079,357
Totals	\$ 457,952,430	\$ 67,841,335	\$ 197,020,100	\$ 0	\$ 17,532,700	\$ 124,954,845	\$ 18,221,593	\$ 6,302,500	\$ 26,079,357

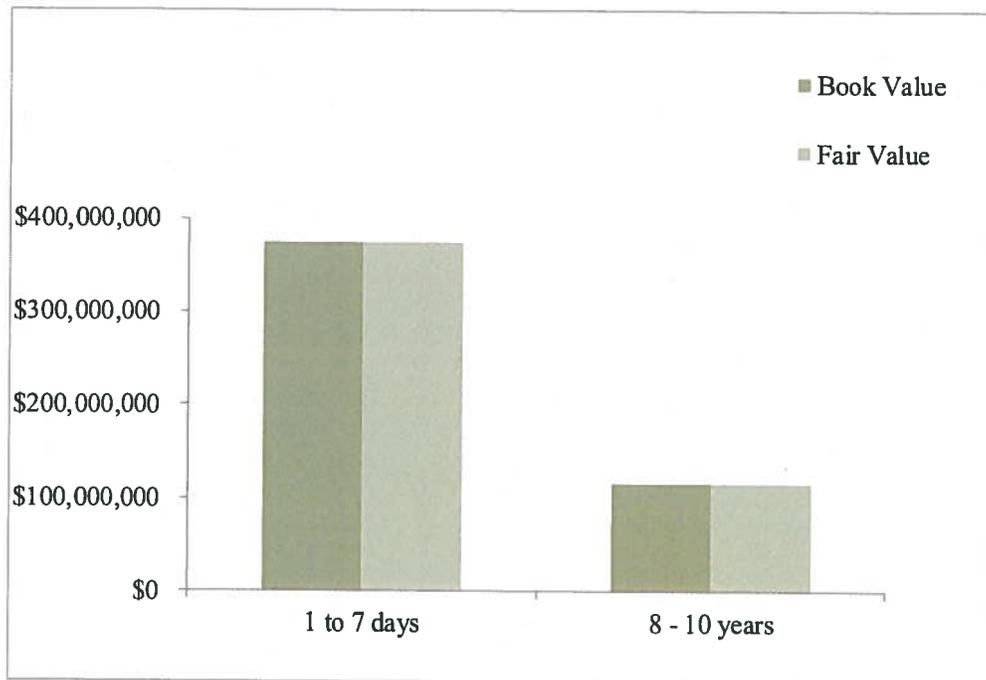
November 30, 2014

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
Money Market Investments	\$ 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			
Due from State Highway Fund	26,079,357								26,079,357
Totals	\$ 488,749,640	\$ 67,849,308	\$ 197,042,053	\$ 30,765,925	\$ 17,533,170	\$ 124,955,134	\$ 18,222,027	\$ 6,302,665	\$ 26,079,357

Fair Values as reported on monthly account statements.
 Totals may not add due to rounding.

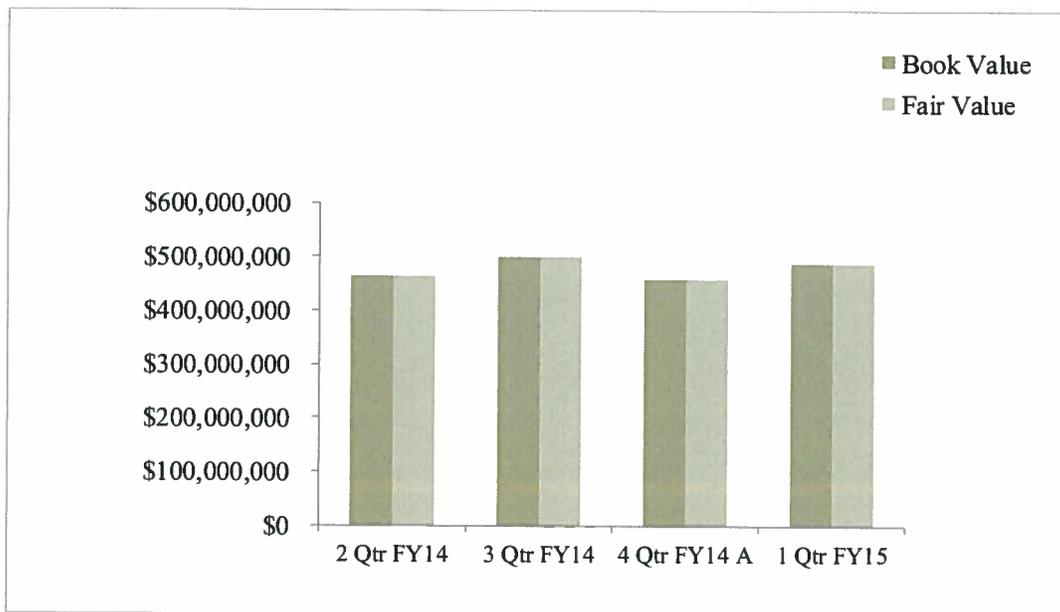
**SCHEDULE 4
Maturity Distribution
November 30, 2014**

Maturity Date	Book Value	Fair Value
1 to 7 days	\$373,750,261	\$373,750,261
8 - 10 years	114,999,378	114,999,378
Total Investments	\$488,749,639	\$488,749,639



**SCHEDULE 5
Investment Portfolio Quarter End Values
November 30, 2014**

<u>Quarter End Values</u>	<u>Book Value</u>	<u>Fair Value</u>
2 Qtr FY14	463,699,118	463,699,118
3 Qtr FY14	499,552,797	499,552,797
4 Qtr FY14 ^A	457,952,430	457,952,430
1 Qtr FY15	488,749,639	488,749,639



^A - The August 31, 2014 values are revised in this quarterly report to include the \$26,079,357 Operating, Maintenance and Reserve Maintenance accounts held in the State Highway Fund.

SCHEDULE 6
Investments by Security Type
November 30, 2014

Security Type	Fair Value
Money Market Investments	\$86,155,099
Lone Star Government Overnight Fund	87,160,030
TexPool Local Government Investment Pool	87,180,272
TexPool Prime	87,175,504
Guaranteed Investment Contract (GIC)	114,999,378
Operating, Maint. and Reserve Maint. held in SFH	26,079,357
Total Investments	<u>\$488,749,639</u>

