

Grand Parkway Transportation Corporation

Period Ended December 31, 2016
(January 1, 2016 – December 31, 2016)



ANNUAL REPORT TO THE TEXAS TRANSPORTATION COMMISSION

Grand Parkway Transportation Corporation

Submitted February 23, 2017

Preface

As required by 43 Texas Administrative Code §15.90, the Grand Parkway Transportation Corporation (“GPTC”) reports on its current condition, status of projects, and activities undertaken the preceding 12 months.

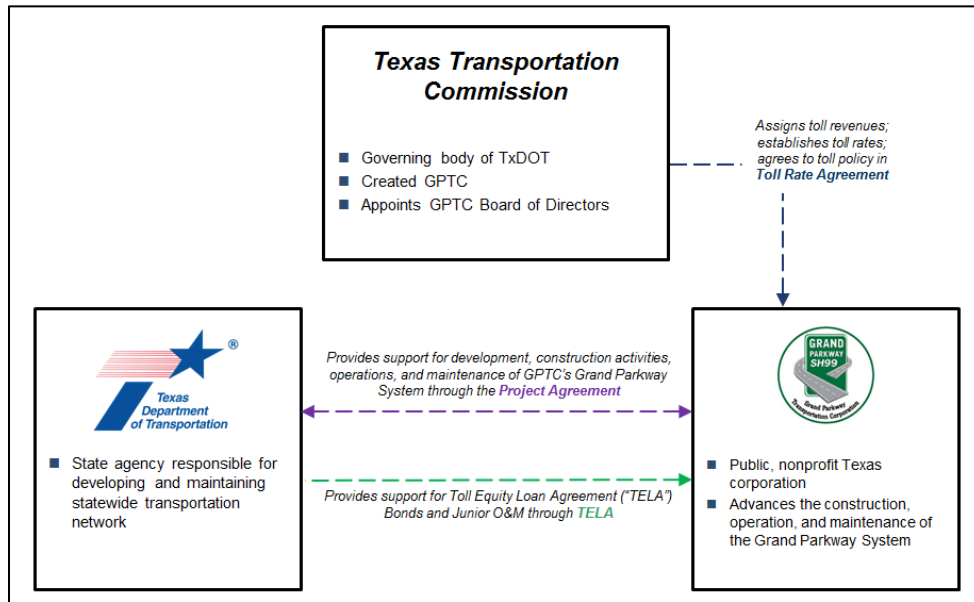
Grand Parkway Transportation Corporation

The GPTC was created in March 2012 by the Texas Transportation Commission under Chapter 431 of the Texas Transportation Code in order to develop certain tolled segments of the **Grand Parkway Project**. The Grand Parkway Project is a proposed 184-mile highway traversing 7 counties around the greater Houston area. It is divided into 11 segments (designated A through I-2) that are in various stages of development. Four counties (Harris, Montgomery, Liberty and Chambers) did not exercise their primacy rights to develop the project, and subsequently **Texas Department of Transportation** (“TxDOT”) exercised its right to develop the Grand Parkway segments in those counties. See map on page 5.

GPTC’s responsibilities include all aspects of the **Grand Parkway System** (also referred to as the “System”), which initially comprises **the portion of Segment D in Harris County and Segments E, F-1, F-2 and G** (“Segments D-G”), currently in operation. These responsibilities include design, construction, operations, maintenance and financing. All agreements for construction, operations and maintenance of these segments and the frontage roads, access facilities and interchanges within the System right-of-way are contracts entered into by GPTC or assigned to it by TxDOT. Pursuant to a Commission minute order adopted in June 2015, GPTC will hold these same responsibilities for Segments H and I, currently expected to be delivered under a pending Design-Build procurement undertaken by TxDOT.

As shown below, GPTC is a separate governmental entity from TxDOT; it holds public meetings, maintains a separate budget, and is governed by a three-member GPTC board of directors. Currently, the board is composed of Brian Ragland (President), Richard McMonagle (Vice President) and Lauren Garduño (Board Member). GPTC does not have employees of its own and relies on support from TxDOT personnel to assist in carrying out its duties and functions, pursuant to the terms of a project agreement. By resolution, the GPTC Board of Directors has delegated to key employees of TxDOT responsibilities for decision making in the administration of certain construction and operations contracts and for handling certain types of contract disputes.

The creation of the GPTC allows for the utilization of a **Toll Equity Loan Agreement** (“TELA”) financing component for the System. As shown in the chart below, the corporation’s separate identity allows the financing to have a “borrower” counter-party to TxDOT’s role as “lender” under the TELA.



GPTC SH 99 Segment Status

As of the date of this report, Segment D (Harris County), E, F-1, F-2 and G form the initial Grand Parkway System and are open to tolled traffic. All toll revenues of the System have been assigned by the Commission to GPTC. The System revenues are expected to fully support the operation and maintenance of the System, including debt service on its project debt. Segments H, I-1, I-2A (currently operated by TxDOT as a stand-alone facility) and I-2B (collectively, “Segments H&I”) are expected to be phased into the System after the Design-Build procurement, referred to below, is concluded with an executed agreement. Additional information on Segment status may be found in the chart below.

The Grand Parkway Transportation Corporation SH 99 Segments		
Segment	Limits	Status
Segment D (Harris County):	Fort Bend/Harris County line to .30 miles north of Colonial Parkway in Harris County	Opened to traffic in December, 2013 and tolling in February, 2014
Segment E:	I-10W to US 290 in Harris County	Opened to traffic in December, 2013 and tolling in February, 2014
Segments F-1, F-2:	US 290 to SH 249 and SH 249 to I-45N in Harris and Montgomery Counties	Opened to traffic and tolling in February 2016
Segment G:	I-45N to I-69N (US 59N) in Harris and Montgomery Counties	Opened to traffic in March, 2016 and tolling in April, 2016
Segments H, I-1, I-2B:	I-69N (US 59N) to US 90, US 90 to I-10E and FM 1405 TO SH 146, in Harris, Montgomery, Liberty and Chambers Counties	Currently undergoing a Design-Build procurement
Segment I-2A:	I-10E to FM 1405, in Chambers County	Opened to traffic in 2008 and tolling in 2011. GPTC will receive all Segment H&I revenues and bear responsibility for operations of Segments H&I when the new construction project reaches completion.

GPTC Financings**Bonds**

In August 2013, GPTC financed the delivery of Segments D-G of the Grand Parkway Project, using toll revenue bonds with a TELA component. Without the TELA, the 2013 financing would have required an estimated additional \$980 million of upfront public subsidy. Some of the 2013 outstanding bonds were then refinanced in 2014 and 2016. As of December 31, 2016, a total of approximately \$2.96 billion in bonds were outstanding.

Grand Parkway Transportation Corporation Bonds	
Bond Issuances	Amount Outstanding as of 12/31/2016
Series 2013-A Fixed Rate Bonds	\$200,000,000
Series 2013-B Fixed Rate Bonds & CABs*	\$1,473,286,384
Series 2013-E Fixed Rate Taxable Bonds	\$361,810,000
Series 2016 Fixed Rate Refunding Bonds	\$83,775,000
TIFIA Loan for Segments D-G	\$840,645,000
Total	\$2,959,516,384

*includes accreted interest

TIFIA

GPTC closed an \$840.6 million loan with the USDOT TIFIA office for Segments D-G (D-G TIFIA) in February 2014, and disbursement of the loan occurred December 13, 2016. The D-G TIFIA draw paid GPTC's Series 2014-A and Series 2014-C bonds in full and, therefore, did not increase the total amount of GPTC debt. As of December 31, 2016, the D-G GPTC TIFIA loan balance outstanding was \$840.6 million. In October of 2015, a TIFIA Letter of Interest was submitted to USDOT's TIFIA office for financing a portion of the costs of constructing Segments H&I.

GPTC Regulation and Policies**Market Valuation Waiver Agreement ("MVWA")**

In 2009, TxDOT and the seven counties (Galveston, Brazoria, Fort Bend, Harris, Montgomery, Liberty and Chambers) traversed by the Grand Parkway Project signed a **Market Valuation Waiver Agreement** ("MVWA") to agree on certain terms and conditions for the development of the 184-mile toll project. The MVWA describes the minimum scope and ultimate scope of the Grand Parkway Project and phased construction of a number of direct connectors. Frontage roads are limited to specified intermittent distances to prevent adverse effects on toll revenues. In addition, the MVWA sets out terms and conditions for all segments of the Grand Parkway Project, including: (1) baseline toll rates and annual toll escalation policy that are based on average per mile toll rates of the Harris County Toll Road Authority in effect in 2009; (2) a prohibition on the use of toll revenues outside the Grand Parkway Project until the ultimate scope has been constructed and placed in service; and (3) limits on competing roads that impact tolled traffic on the corridor Project.

GPTC Policies

GPTC has developed policies to conform to the intent of the MVWA including a frontage road policy and a free passage policy based on existing regional practice as detailed in the **Toll Rate Agreement** (“Toll Rate Agreement”) between GPTC and the Commission. Toll rates are set by the Commission by minute order in accordance with the MVWA toll policy, subject to satisfaction of the toll rate covenant contained in the Toll Rate Agreement for the benefit of GPTC’s bondholders. Tolls are automatically increased on an annual basis at the greater rate of 2% or the regional CPI (Houston CPI-W).

Hurricane Evacuation

The System has been designated as a hurricane evacuation route and procedures are in place for ensuring that actions required at the time of an emergency can be implemented effectively.

