

TEXAS TRANSPORTATION COMMISSION

Travis and Williamson Counties

MINUTE ORDER

Page 1 of 1

Austin District

Transportation Code, Chapter 228 and other applicable law authorizes the Texas Transportation Commission (commission) to issue turnpike revenue bonds, bond anticipation notes, and other obligations to finance turnpike projects on the state highway system, and to enter into trust agreements and indentures of trust governing matters related to the issuance of such obligations.

The commission issued turnpike revenue bonds and other obligations to finance a portion of the costs of the Central Texas Turnpike System (System), a turnpike project composed of the State Highway 130 (Segments 1 through 4), State Highway 45 North, State Highway 45 SE and Loop 1 project elements. The commission has also authorized the execution of an indenture of trust and eight supplemental indentures to secure revenue bonds and other obligations issued for the System. The Indenture of Trust dated July 15, 2002, as supplemented by the amended and restated eighth supplemental indenture (indenture), prescribes the terms, provisions and covenants related to the issuance of turnpike revenue bonds and obligations to finance a portion of the costs of the System.

Section 716 of the indenture requires the commission to provide annually, within six months after the end of each fiscal year, updated financial information and operating data with respect to the commission and the System of the general type included in specified sections of the final official statements relating to the First Tier Obligations issued for the System.

IT IS THEREFORE ORDERED by the commission that the annual report of financial information and operating data for the fiscal year ended August 31, 2016 with respect to the commission and the System, attached as the Central Texas Turnpike System Annual Continuing Disclosure Report, is accepted.

Submitted and reviewed by


Director, Project Finance, Debt and
Strategic Contracts Division

Recommended by:


Executive Director

114869 FEB 23 '17
Minute Number Date Passed



Central Texas Turnpike System Annual Continuing Disclosure Report

For the Fiscal Year Ended August 31, 2016

Filed on February 23, 2017

**Texas Transportation Commission Central Texas Turnpike System
Annual Continuing Disclosure Report
For the Fiscal Year Ended August 31, 2016**

**Filed by
Texas Transportation Commission
Pursuant to Undertaking Provided to Permit
Compliance with SEC Rule 15c2-12**

Relating to Each Outstanding Issue with CUSIP Prefixes 88283K and 882762

This information 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 Central Texas Turnpike System ("CTTS" or "System").

Pursuant to the rules of the Municipal Securities Rulemaking Board (the "MSRB") the participating underwriters for each Issue were required to file a copy of the Official Statements with the MSRB, copies of which are available on the "TEXAS TRANSPORTATION COMMISSION, CENTRAL TEXAS TURNPIKE SYSTEM REVENUE BONDS (TX)" EMMA home page at the following link: <http://emma.msrb.org/IssuerHomePage/Issuer?id=FE6B1DF57C7936E2E043151ED20A6141&type=M>

The Official Statements for each Issue 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 Statements.

Information in this report regarding the Commission and the System have been compiled and provided by TxDOT from TxDOT's records and other sources which are believed by TxDOT to be reliable and is provided in satisfaction of the Undertaking. This report contains information prescribed by the Rule and TxDOT does not make 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 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 report.

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I. Update to Annual Financial Information and Operating Data Required by the Undertaking

This report contains the financial information and operating data with respect to the Commission and the System which the Commission has agreed to update pursuant to the Undertaking. The information provided herein or incorporated by reference speaks as of its date and its incorporation in this report is not a representation that any of the information has been updated. In fact, much of the information has not been updated. In addition to this report, information can be obtained through the Official Statements for the above listed issues that are on file with the MSRB's Electronic Municipal Market Access System ("EMMA").

The information to be updated includes all quantitative financial information and operating data with respect to the Commission and the System of the general type included in the official statement or offering document for each Issue (collectively, the "Official Statements"), under the headings "THE SYSTEM," "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION" and "FUNDING OF COMMISSION OBLIGATIONS," and in "SCHEDULE II – DEBT SERVICE REQUIREMENTS" and "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE SYSTEM". The Commission has also further agreed in the Undertaking to include (i) a table, based on the actual results for such Fiscal Year, setting forth for such Fiscal Year, but not including any projection for any future period, the information shown in the table titled "System Estimated Cash Flow and Debt Service Coverage Table," (ii) a copy of the General Engineering Consultant's annual report relating to its inspection of the System and (iii) a copy of the Toll rate schedule then in effect.

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THE SYSTEM

A. Debt Service Requirements

(In Thousands)

Fiscal Year	Series 2002-A Bonds	Series 2012-A Bonds	Series 2015-A Bonds ⁽¹⁾	Series 2015-B Bonds	Total First Tier Obligations	Series 2015-C Bonds ⁽²⁾	Total Debt Service Requirements
2017	\$ 7,885	\$ 28,034	\$ 11,250	\$ 9,901	\$ 57,070	\$ 57,866	\$ 114,936
2018	14,225	28,034	11,250	9,901	63,410	57,866	121,276
2019	20,365	28,034	11,250	9,901	69,550	57,866	127,416
2020	26,715	28,034	11,250	9,901	75,900	57,866	133,766
2021	36,480	28,034	11,250	9,901	85,665	57,866	143,531
2022	43,150	28,034	11,250	9,901	92,335	60,066	152,401
2023	48,940	28,034	11,250	9,901	98,125	63,131	161,256
2024	54,725	28,034	11,250	9,901	103,910	66,142	170,053
2025	60,410	28,034	11,250	9,901	109,595	69,300	178,895
2026	77,205	28,034	11,250	9,901	126,390	66,267	192,658
2027	84,355	28,034	11,250	9,901	133,540	70,001	203,541
2028	91,830	28,034	11,250	9,901	141,015	68,644	209,659
2029	97,040	28,034	11,250	9,901	146,225	69,199	215,424
2030	102,025	28,034	11,250	9,901	151,210	70,138	221,348
2031	-	28,034	11,250	9,901	49,185	178,248	227,434
2032	-	28,034	11,250	49,901	89,185	144,503	233,688
2033	-	28,034	11,250	7,901	47,185	192,931	240,116
2034	-	28,034	11,250	7,901	47,185	184,499	231,684
2035	-	28,034	11,250	121,421	160,705	92,726	253,431
2036	-	28,034	11,250	146,730	186,014	74,465	260,479
2037	-	28,034	11,250	141,000	180,284	87,354	267,638
2038	-	151,269	11,250	-	162,519	105,980	268,499
2039	-	182,520	11,250	-	193,770	74,730	268,499
2040	-	182,519	11,250	-	193,769	74,731	268,500
2041	-	142,060	51,710	-	193,770	74,728	268,498
2042	-	-	193,767	-	193,767	74,734	268,501
Total	\$ 765,350	\$ 1,247,085	\$ 515,477	\$ 623,374	\$ 3,151,286	\$ 2,251,843	\$ 5,403,129

Note: Debt Service is shown on a cash basis, consistent with Debt Service Requirements as reported in AFR Note 5 in table "Debt Service Requirements" (excluding unamortized Accretion and Premium).

⁽¹⁾ Debt service associated with the Series 2015-A Bonds after the end of the Multiannual Period (i.e., April 1, 2020) has been assumed at a constant 5% interest rate, with principal of the Series 2015-A Bonds paid at maturity.

⁽²⁾ The Series 2015-C Bonds are Second Tier Obligations.

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B. Table of Revenues, Expenses and Debt Service Coverage (In Thousands)

	Fiscal Years Ended August 31,				
	2012	2013	2014	2015 ⁽⁸⁾	2016 ⁽⁹⁾
Revenue					
Toll Revenue ⁽¹⁾	\$ 75,695	\$ 105,848	\$ 130,902	\$ 152,306	\$ 170,689
Fee Revenue ⁽²⁾	10,111	13,290	13,312	10,952	1,546
Interest & Other Revenue ⁽³⁾	6,683	6,121	6,033	6,180	6,670
Total	92,489	125,259	150,247	169,438	178,905
Debt Service					
First Tier Obligation Debt Service	45,772	41,509	41,002	51,172	50,930
Second Tier Obligation Debt Service				30,701	57,866
TIFIA Loan Debt Service	31,690	33,698	35,022		
Total	77,462	75,207	76,024	81,873	108,796
First Tier Debt Service Coverage Ratio	2.02x	3.02x	3.66x	3.31x	3.51x
Total Debt Service Coverage Ratio	1.19x	1.67x	1.98x	2.07x	1.64x
Current Revenues in Excess of Current Debt Service	15,027	50,052	74,223	87,565	70,109
Transfers (to)/from Commission for Expenses					
Transfers from the Commission to the System ⁽⁴⁾	55,758	47,954	53,604	56,133	45,587
Transfers (to) the Commission from the System, excluding transfers to reserves held by the Commission ⁽⁵⁾	(516)	(52,308)	(51,530)	(54,426)	(43,520)
Net Transfers (to)/from Commission	55,242	(4,353)	2,075	1,707	2,067
Total Current Fiscal Year Available Revenues⁽⁶⁾	\$ 70,269	\$ 45,698	\$ 76,298	\$ 89,272	\$ 72,176
System Operating, Maintenance and Capital Expenses⁽⁷⁾	\$ 55,873	\$ 47,380	\$ 52,970	\$ 56,399	\$ 47,232

Note: Totals may not compute due to rounding.

- (1) Revenues and expenses are reported on the accrual basis of accounting.
- (2) Fee Revenue includes revenues from Customer Service Center fees and charges, which are more fully described in section C.4 of this report. The drop in Fee Revenue in 2016 was due to (a) a change in policy, that, as of the beginning of Fiscal Year 2016, no portion of certain customer service revenue that is not attributable to specific roadways and no Interoperability Fee revenue will be allocated to the System (or any other TxDOT-related toll project) and (b) the temporary suspension of fee escalations. For further information, see "II. Supplemental Information – B. Fees and Charges Allocation Policy".
- (3) Primarily comprised of interest earnings on the First Tier Debt Service Reserve Fund.
- (4) Transfers from the Commission mainly represent payments made by the State Highway Fund related to operating, maintenance and capital expense of the System. For further information, see "SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION".

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⁽⁵⁾ Transfers to the Commission represent payments by the System to reimburse the State Highway Fund for operating, maintenance and capital expenses. These payments exclude certain transfers to operation, maintenance, and capital expense reserves held by the Commission outside of the Indenture which are required to be funded at two months of the ensuing year's budgeted operating, maintenance and capital expense.

2016 Reserve Accounts (in thousands)	Required*	Funded*
Operating Account	\$ 6,373	\$ 38,186
Maintenance Account	2,571	15,447
Reserve Maintenance Account	467	2,790
Total	\$ 9,410	\$ 56,423

*As of August 31, 2016, reserve funding represented approximately 12 months of the Fiscal Year 2017 \$56.4 million budget for operating, maintenance and capital expense (the two month requirement is approximately \$9.4 million).

⁽⁶⁾ Revenues of the System after payment of Debt Service plus Net Transfers (to)/from the Commission.

⁽⁷⁾ Operations, maintenance and capital expenses shown do not reflect depreciation.

⁽⁸⁾ In January, 2015, the Commission issued CTTS Revenue Bonds, consisting of the Commission's First Tier Revenue Refunding Put Bonds, Series 2015-A, its First Tier Revenue Refunding Bonds, Series 2015-B and its Second Tier Revenue Refunding Bonds, Series 2015-C, for the redemption, refunding and defeasance of certain of its First Tier Revenue Bonds, Series 2002-A, its First Tier Revenue Refunding Put Bonds, Series 2012-B, and its 2002 TIFIA Bond. For further information, see the Official Statement dated January 21, 2015 for certain series of CTTS revenue bonds (the "2015 Official Statement"), which is on file with EMMA.

⁽⁹⁾ The decrease in the Total Debt Service Coverage Ratio and Total Current Fiscal Year Available Revenues in year 2016 from 2015 reflects increased debt service, consistent with trends reflected in "Table 6 – System Forecasted Cash Flow and Debt Service Coverage" of the 2015 Official Statement.

C. Financial and Operating Data

1. Payment Methods for Tolls

General. The Department currently allows all drivers to pay Tolls for the use of the System in two ways, by: (i) using an electronic toll collection ("ETC") transponder in the vehicle to debit a pre-paid account or (ii) paying a bill for Tolls sent by mail ("Pay by Mail"). During Fiscal Year 2016, 65% of the total transactions processed for the System were attributable to ETC transponder accounts and 35% were attributable to image-based transactions, consisting of invoiced Pay by Mail transactions and not invoiced, unbillable transactions.

ETC Transponder Payment Method. The ETC transponder payment method requires that drivers attach a small sticker to the windshields of their vehicles containing a thin transponder which sends a signal to the electronic tolling equipment as the vehicle crosses a tolling point. The Department's ETC transponder is branded as a TxTag ("TxTag"). Each TxTag transponder is tied to an automatic pre-paid customer toll account and funds are withdrawn daily by the Department from such account as Tolls are incurred. A single toll account can have multiple TxTag transponders associated with such account.

As of August 31, 2016, there were 1,032,629 active toll accounts with 1,819,448 active TxTag transponders state-wide. As of August 31, 2016, the number of active TxTags increased approximately 11% over such number as of August 31, 2015.

Pay by Mail Payment Method. For transactions that do not post to a transponder account, a Pay by Mail invoice is mailed to the address registered to the license plate of the vehicle. Pay by Mail charges are 33% more than an ETC transponder toll rate, plus a per statement fee. During Fiscal Year 2016, approximately 16% of all image-based transactions on the System could not be invoiced, including but not limited to exempt vehicles such as government and emergency vehicles. Additionally, during Fiscal Year 2016, the collection rate on invoiced Pay by Mail transactions on the System was 62% and the collection rate for all image-based transactions (invoiced and non-invoiced) was 55%.

The Toll Operations Division (TOD) of TxDOT is continuing to work on resolving all posting, processing, billing and escalation issues in connection with the back office transition to Xerox. During Fiscal Year 2016, TxDOT dismissed certain aged toll and fee transactions totaling approximately \$19.9 million of tolls and approximately \$4.3 million of fees relating to CTTS. Such dismissals enabled toll invoices and violation notices to resume in September 2016. The dismissals did not impact revenues reported in Fiscal Year 2016 because they were not previously accrued. TxDOT anticipates there will be future additional tolls and fees that could also be deemed uncollectable and subject to dismissal in accordance with a comprehensive receivable dismissal policy under consideration by TxDOT management. Achieving typical invoice cycles for all transactions is expected to be achieved by end of March 2017.

2. Toll Rates & Current Toll Rate Schedule

The rates shown are for ETC transactions for two-axle vehicles ("Auto"). The full length Toll Rates include mainline plaza rates multiplied by the number of mainline tolling points for each roadway and exclude entrance and exit ramp charges. Annual Toll Rates for all years shown were adjusted in accordance with the toll rate escalation policy. However, because of the percent of the escalation adjustment and rounding to the nearest penny for the toll rates presented, certain years shown do not show a change in the presented toll rates.

Element	Auto ETC Toll Rates					
	Full Length Toll Rates			Per Mile Toll Rates		
	Jan 2015	Jan 2016	Jan 2017	Jan 2015	Jan 2016	Jan 2017
SH 130 (49.0 miles)	\$7.00	\$7.00	\$7.08	\$0.14	\$0.14	\$0.14
SH 45N (12.8 miles)	\$2.12	\$2.12	\$2.14	\$0.17	\$0.17	\$0.17
SH 45SE (7.0 miles)	\$1.04	\$1.04	\$1.05	\$0.15	\$0.15	\$0.15
Loop 1 (4.0 miles)	\$1.06	\$1.06	\$1.07	\$0.27	\$0.27	\$0.27

The current toll rate schedules may be found at: https://www.txtag.org/en/about/tollroad_austin_area.shtml

3. Toll Discounts

Veteran Toll Waiver Program. In compliance with the provisions of the Master Indenture and after receipt of the required certification by the Traffic Consultant, the Commission has authorized free passage on the System for both TxTag and Pay by Mail customers who are disabled veterans or recipients of the Purple Heart, Congressional Medal of Honor, Air Force Cross, Distinguished Service Cross, Army Distinguished Service Cross or Navy Cross (Legion of Valor) effective December 24, 2012. To take advantage of this program, eligible veterans are required to register the license plates of their vehicles with the Texas Department of Motor Vehicles. The Pay by Mail transactions for such registered license plates are invoiced to the Department and the Department pays the System for the transactions. The Department has a monitoring program to identify eligible transactions and the associated revenue to be reimbursed. The Department reimburses the appropriate Master Indenture account for the cost of Tolls not paid by customers with such eligible plates.

Since the program began, the Department has paid the System approximately \$11.4 million in revenue to pay for approximately 8.9 million of eligible veteran transactions. In Fiscal Year 2016, the System was reimbursed approximately \$4.5 million on approximately 3.5 million transactions.

Temporary Truck Toll Rates. In 2015, the State budget passed by the 84th Legislature as House Bill 1 appropriated to TxDOT under Rider 49 receipts from the sale of TxDOT real property and receipts from the sale of surplus property to provide funding for certain toll discount programs, including a truck toll discount program to be used for congestion relief and air quality mitigation strategies, in the amounts of \$9.35 million in Fiscal Year 2016 and \$9.35 million in Fiscal Year 2017.

Commission Minute Order No. 114528 authorized the program which began on April 18, 2016. The System was reimbursed for the Fiscal Year 2016 discounted toll revenues of approximately \$1.6 million on 1.1 million paid transaction. The program was implemented in November 2016 and ends August 2017. Phase II allows all 3+

axle vehicles with a valid transponder to pay the 2 axle rate and all 3+ axle Pay by Mail customers will pay the three axle rate. Discount offered 7AM to 7PM weekdays. The discount does not impact reported toll revenue as revenue recognition includes the discount.

4. Customer Service Center Revenues - Fees and Charges

The Commission continually monitors and evaluates its fee structure and may adopt additional fees in the future or revise the existing fee structure as it determines to be appropriate. The revenue derived from the fees and charges described are referred to herein as "Customer Service Center Revenues". Due to a change in policy, as of the beginning of Fiscal Year 2016, certain non-roadway specific Customer Service Center Revenues will not be allocated to the System (or any other TxDOT toll project). See "II. SUPPLEMENTAL INFORMATION – B. Fees and Charges Allocation Policy".

Fees attributable to a specific transaction or roadway. The Commission charges administrative fees per transaction, related to the collection of unpaid Tolls that are associated with and allocated to specific roadways. The following Customer Service Center Revenues are attributable to particular toll transactions and are allocated to the System for transaction which occurred on the System.

Notice of Non Payment Fee - \$5.00⁽¹⁾⁽²⁾
Submission to Collection Agency Fee - \$25.00⁽¹⁾⁽²⁾
Submission to Court Fee - \$100.00⁽¹⁾⁽²⁾⁽³⁾

⁽¹⁾ Administrative fees are not cumulative, and the total fee assessed for each violation will not exceed \$100.

⁽²⁾ As previously disclosed in the 2015 Official Statement the vendor for the customer service activities was transitioned to the Xerox system beginning July, 2014 which required interruptions to certain customer service and billing functions including delayed toll postings, statement processing, Pay by Mail billing, escalation of past due transactions to violations and collections. To foster better customer relations due to impact of late billing from the Xerox transition the escalation of late fees and the escalation of past due unpaid transactions to violations and collections was suspended as of February 2015 and resumed in phases beginning September 2016. Typical invoicing cycles are anticipated to be in place by March 2017.

⁽³⁾ Does not include costs payable to the applicable court. In practice, an individual with multiple uncollected transactions is typically only assessed the Submission to Court fee for up to three transactions per court filing.

Fees not attributable to a specific transaction or roadway. In addition to the Toll rates charged for the System, the Commission charges fees for various customer services related to utilizing the various toll facilities of the Department that are not attributable to a specific transaction or roadway.

Standard TxTag Fee - \$13.85 applies if customer does not sign up for automatic account replenishment

Specialty TxTag Fee - \$45.00 for motorcycles and license plates; includes \$35.00 refundable deposit

Mailed or Faxed Account Statement Fee - \$1.15 for each five pages or any number of pages less than five

Returned Check Fee - \$30.00 per check

5. Interoperability - Toll and Fee Revenues

Interoperable Toll Revenues for the System reflects CTTS toll transactions paid with a non-TxDOT toll tag, that represent approximately 10% and 11% of toll revenues of the System in Fiscal Years 2015 and 2016, respectively.

Interoperable Fee revenues of 6% to 8% of the toll transaction revenue are received from other toll authorities in Texas when TxTag holders drive on a non-TxDOT toll road. Due to a change in policy described above in "4. Customer Service Center Revenues – Fee and Charges", as of the beginning of Fiscal Year 2016, no portion of Interoperable fee revenue will be allocated to the System (or any other TxDOT toll project). See "II. Supplemental Information – B. Fees and Charges Allocation Policy".

6. Recent Traffic and Revenue Results

For detailed information on actual transactions and revenues, please see the Central Texas Turnpike System Quarterly Report of Actual Transactions and Revenue for Fiscal Year 2016 and for the First Quarter of Fiscal Year 2017, which are available on-line at the CTTS EMMA home page and are incorporated by reference.

D. CTTS Fiscal Year 2016 Audited Annual Financial Statements

The CTTS Fiscal Year 2016 Audited Annual Financial Report ("AFR") may be found on the EMMA home page and is incorporated by reference.

E. Texas Department of Transportation Annual Financial Report Fiscal Year 2016 (With Independent Auditor's Report)

The TxDOT Fiscal Year 2016 Audited Annual Financial Report ("AFR") may be found on EMMA at the link below for CUSIP prefix 88283L and is incorporated by reference.

<http://emma.msrb.org/ER1009401-ER790395-ER1191725.pdf>

F. General Engineering Consultant's CTTS 2016 Annual Inspection Report

The General Engineering Consultant's CTTS 2016 Annual Inspection Report may be found on the EMMA home page and is incorporated by reference.

SYSTEM-RELATED FUNDING OBLIGATIONS OF COMMISSION

For administrative ease, the Commission has historically paid all operations, maintenance, and capital expenses on behalf of the System, and the System has periodically reimbursed the Commission from available revenues in excess of debt service.

System Operations and Maintenance Expenditures					
(In thousands)					
	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Budget
Operations and Maintenance ⁽¹⁾	\$ 41,580	\$52,970	\$55,531	\$43,705	\$53,660
Capital ⁽²⁾	5,800	-	868	3,527	2,800
Total	\$ 47,380	\$52,970	\$56,399	\$47,232	\$56,460

Note: Totals may not add up due to rounding.

⁽¹⁾ Excludes depreciation expense and maintenance expense associated with Reserve Maintenance within the meaning of Section 515 of the Indenture.

⁽²⁾ Includes maintenance expense associated with Reserve Maintenance and capital expenditures within the meaning of Section 515 of the Indenture. The Commission budgets capital expenditures and unusual and extraordinary maintenance in the Reserve Maintenance Account for a rolling five-year period. Currently, a total of approximately \$11.4 million is budgeted for Fiscal Years 2017 through 2027. The budget for Fiscal Years 2018 through 2020 is subject to future legislative appropriation.

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FUNDING OF COMMISSION OBLIGATIONS

The State Highway Fund is the primary source of funding for the construction, maintenance and operation of the State Highway System, including the System, and is expected to be the primary source of funds for payment of any System-related funding obligations. For further information regarding the Department and the State Highway Fund, reference is made to the State Highway Fund disclosures which are available at the Commission's EMMA home page at the following link:

<http://emma.msrb.org/IssuerHomePage/Issuer?id=FE6AF031FB2E2FD1E043151ED20ABC22&type=M>

The Section "STATE HIGHWAY FUND" of the State Highway Fund 2016 Official Statement, the 2016 Continuing Disclosure Updates, and the Department Financial Statements for Fiscal Year 2016, are hereby incorporated by reference and made a part hereof for all purposes.

II. Supplemental Information

A. Outstanding Obligations as of December 31, 2016

<u>Obligations</u>	<u>Bonds Issued (Original Par)</u>	<u>Original Par Outstanding</u>	<u>Outstanding Value with Accretion</u>
<u>First Tier</u>			
First Tier Revenue Bonds, Series 2002-A			
Non-Callable Capital Appreciation Bonds	\$ 287,460	\$ 207,802	\$ 460,764
First Tier Revenue Refunding Bonds, Series 2012-A	585,330	585,330	585,330
First Tier Revenue Refunding Put Bonds, Series 2015-A	225,000	225,000	225,000
First Tier Revenue Refunding Bonds, Series 2015-B			
Current Interest Bonds	198,025	198,025	198,025
Capital Appreciation Bonds ⁽¹⁾	27,995	27,995	100,588
Subtotal	\$ 1,323,810	\$ 1,244,152	\$ 1,569,707
<u>Second Tier</u>			
Second Tier Revenue Refunding Bonds, Series 2015-C	1,157,320	1,157,320	1,157,320
Total	\$ 2,481,130	\$ 2,401,472	\$ 2,727,027

Note: Totals may not add due to rounding.

⁽¹⁾ The Series 2015-B Capital Appreciation Bonds were originally sold with an original par of \$27.995 million and a premium of \$64.264 million. The accreted value for the Series 2015-B Capital Appreciation Bonds reflects the accreted value of the original par and premium as of 12/31/2016.

B. Fees and Charges Allocation Policy

As further discussed in this report and as previously disclosed in the 2015 Official Statement in connection with the issuance of various series of Central Texas Turnpike System bonds, TxDOT previously allocated a large portion of the Customer Service Center Revenues not attributable to a particular CTTS toll transaction as System Revenues (i.e. 81% and 92% of such revenues in Fiscal Years 2014 and 2015, respectively). However, such allocation policy is, as noted in 2015 Official Statement, subject to change based on the number of roads for which TxDOT provides toll operations and the proportion of System Revenues to all revenues derived from such facilities. As TxDOT-related toll road projects have expanded from just the CTTS System, TxDOT's back office operations have also significantly expanded. In an effort to better match revenues to expenses in connection with the TxDOT-related toll road projects, in February 2016, the TxDOT Toll Operations Division adopted several policy changes effective the beginning of Fiscal Year 2016 to divert non-roadway specific revenues, including certain Customer Service Center Revenues and the Interoperability Fee revenues, to TxDOT, rather than to the System, to offset the operating costs incurred by TxDOT resulting from its expanded

toll operations. For further discussion, see "THE SYSTEM - B. Table of Revenues, Expenses and Debt Service Coverage," "- C. Financial and Operating Data - 4. Customer Service Center Revenues - Fees and Charges" and "- 5. Interoperability-Toll and Fee Revenues". TxDOT currently expects further changes in its allocation policy as the TxDOT toll system continues to expand.

C. Xerox System

Regarding the previously reported Toll Operations Contract Audit, according to TxDOT management, as of August, 2016 TOD has successfully implemented the management action plans and substantially addressed all deficiencies indicated in the Audit Report. The audit also noted that there were issues relating to the contract, including certain performance required by the vendor, that were not fully resolved as of the date of the audit report. In October, 2016, TxDOT accepted and approved the deliverables related to final acceptance of the Xerox system.

D. Potential Expansion of SH 130 - Segments 2 & 3

On November 21, 2016, the Commission filed a voluntary notice on EMMA regarding the engagement by TxDOT of engineers to begin work on the design of a potential expansion project for a portion of the State Highway 130 (Segments 2 and 3) element of CTTS. Such notice is on file with EMMA is hereby incorporated by reference.

E. Supplemental Resolution

On January 26, 2017, the Commission approved a Ninth Supplemental Indenture authorizing the issuance of additional Central Texas Turnpike System Revenue bonds in one or more series to refund outstanding Central Texas Turnpike System obligations until January 25, 2018. No assurances are given regarding whether additional bonds will be issued and if issued the amount of such bonds or the obligations to be refunded.

III. Contact Information

For additional information concerning this report, please contact:

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