

Grand Parkway Transportation Corporation

Period Ended December 31, 2017
(January 1, 2017 - December 31, 2017)



2017 ANNUAL REPORT TO THE TEXAS TRANSPORTATION COMMISSION Grand Parkway Transportation Corporation

Submitted February 22, 2018

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 6.

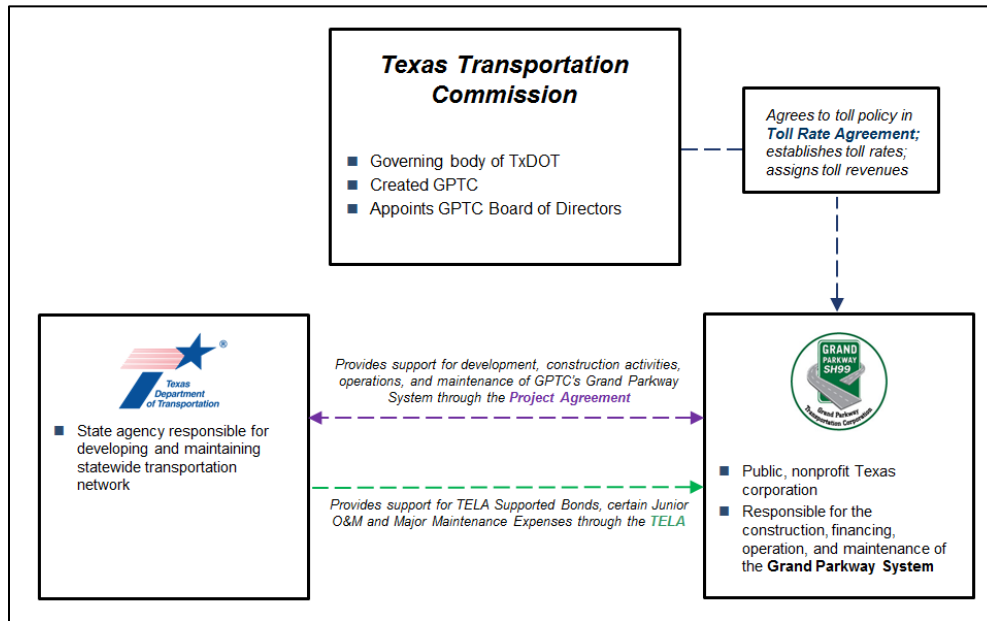
GPTC has responsibility for all aspects of the **Grand Parkway System** (also referred to as the “System”), including design, construction, operations, maintenance and financing, and all agreements for these segments including contracts entered into by GPTC or assigned to it by TxDOT. The System is comprised of the portion of **Segments D (Harris County), E, F-1, F-2, G** (“Segments D-G”); and **H, I-1, I-2A and I-2B** (“Segments H and I”). Segments D-G and I-2A are currently in operation and Segments H, I-1, and I-2B are under construction. While existing Segment I-2A became a part of the System effective June 30, 2017, GPTC will not receive toll revenue from this segment or become responsible for the maintenance and operations of Segment I-2A until substantial completion of Segments H, I-1, and I-2B.

As shown on the following page, GPTC is a separate governmental entity from TxDOT and is governed by a three-member GPTC board of directors. The board is composed of Brian Ragland (President), Richard McMonagle (Vice President) and Lauren Garduño (Board Member) and holds public meetings and has its own capital and operating budget. 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.

Toll Equity Loan Agreement

The creation of the GPTC allows for the use of a **Toll Equity Loan Agreement** (“TELA”). A TELA is an agreement in which TxDOT provides a loan commitment from the State Highway Fund based on the borrower’s cost of the project. This loan is a form of a backstop provided from TxDOT to GPTC if System revenues and available reserves are insufficient to pay debt service on bonds utilizing the TELA as well as O&M and major maintenance costs. GPTC benefits from the TELA structure by having higher credit ratings, which provides for lower borrowing costs. Without the TELA, the 2013 GPTC financing would have required an estimated additional \$980 million of upfront funds.

To date, no draws on the TELA have occurred, and none are expected. The following chart is an overview of the relationship between GPTC and TxDOT.



GPTC SH 99 Segment Status

As of the date of this report, Segments D-G and most of I-2A are open to tolled traffic. System revenues are expected to fully support the operation and maintenance of the System, including debt service on GPTC project debt. On June 30, 2017, the Design-Build Agreement (“DBA”) and a Capital Maintenance Agreement (“CMA”) for the development and maintenance of Segments H, I-1, and I-2B was signed and Segments H&I became part of the System. A summary of each segment is 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:	<p>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</p> <p>2017 DBA includes construction of: 4 lanes at H-West 2 lanes for remainder of Segment H and for Segment I-1 (with intermittent passing lanes) 4 lanes for I-2B Improvements on I-2A</p> <p>2017 CMA includes capital maintenance work</p>	<p>A Design Build Agreement was signed with Grand Parkway Infrastructure (GPI) June 30, 2017. The USACE 404 permit was obtained in October of 2017 and Notice to Proceed 1 and 2 were sent to GPI in 2017. The Option Bid for additional lanes in Segment H was executed at NTP 2, so the western portion of Segment H will have 4 lanes instead of 2 lanes. Design and ROW acquisition are currently underway and construction is expected to begin in late 2018. Substantial Completion is expected in early 2022.</p>

	for three five year terms, at GPTC's option	
Segment I-2A:	I-10E to FM 1405, in Chambers County	Opened to traffic in 2008 and tolling in 2011. Only the portion from I-10E to Fisher Road is currently tolled; the portion from Fisher Road to FM 1405 will be tolled when the remainder of Segments H and I are opened to tolled traffic.

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. Some of the 2013 outstanding bonds were then refinanced in 2014 and 2016. As of December 31, 2017, a total of approximately \$3.01 billion in bonds were outstanding.

Grand Parkway Transportation Corporation Bonds	
Bond Issuances	Amount Outstanding as of 12/31/2017
Series 2013-A Fixed Rate Bonds	\$200,000,000
Series 2013-B Current Interest Bonds	\$1,137,935,000
Series 2013-B Capital Appreciation Bonds	\$354,642,542
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	\$873,234,289
Total	\$3,011,396,831

*includes accreted interest

Transportation Infrastructure Finance and Innovation Act ("TIFIA")

Segments D-G TIFIA Loan

GPTC closed a loan with the US Department of Transportation through its Build America Bureau Credit Programs 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 off 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, 2017, the D-G GPTC TIFIA loan balance outstanding was \$873.2 million.

Anticipated Segments H and I TIFIA Loan

In October of 2015, a TIFIA Letter of Interest was submitted to US Department of Transportation through its Build America Bureau Credit Programs Office for financing a portion of the costs of developing Segments H and I and this loan is currently in the credit review stage. The TIFIA loan is anticipated to close in calendar year 2018 to finance in part the development of Segments H and I.

Anticipated Milestones for Calendar Year 2018

- GPTC anticipates issuing toll revenue bonds for the development of Segments H and I in FY 2018.
- SB 312 contains new provisions required to be implemented by March 1, 2018, which impose limits on the amount of fees that can be assessed on users of the System by TxDOT, and obligates TxDOT to invoice customers for non-tag (or non-ETC) toll transactions (rather than processing such transactions as violations) on the System. These changes to toll operations are not anticipated to adversely impact GPTC's ability to meet its obligations to debt bondholders or to meet other operational requirements.

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 for electronic toll transactions of the Harris County Toll Road Authority in effect as of the date of opening of any segment of the Grand Parkway Project; (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.

In the fall of 2017, a letter agreement was signed by TxDOT and all seven counties to allow for the early development of four direct connectors at the SH 99 and SH 249 interchange and the inclusion of the H-West Option in the Segment H and I DBA.

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. During Hurricane Harvey in the summer of 2017, tolls were suspended on the System beginning on August 27, 2017, and most tolling resumed on September 14, 2017. The main lanes of the System remained open to traffic during the time period that tolls were suspended, except for one underpass location at FM 2920 that was closed for less than twelve hours, due to accumulation of heavy rainfall. Hurricane Harvey caused no major damage to the System.

