

Grand Parkway Transportation
Corporation



**2022 ANNUAL REPORT TO THE TEXAS
TRANSPORTATION COMMISSION**

Grand Parkway Transportation Corporation

Submitted February 23, 2023

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** (commission) under Chapter 431 of the Texas Transportation Code to develop certain tolled segments of the **Grand Parkway Project**. The Grand Parkway Project is a proposed 184-mile highway traversing seven 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 (Chambers, Harris, Liberty, and Montgomery) did not exercise their primacy rights to develop the project, and subsequently the **Texas Department of Transportation** (TxDOT) exercised its right to develop the Grand Parkway segments in those counties. See map on page 7.

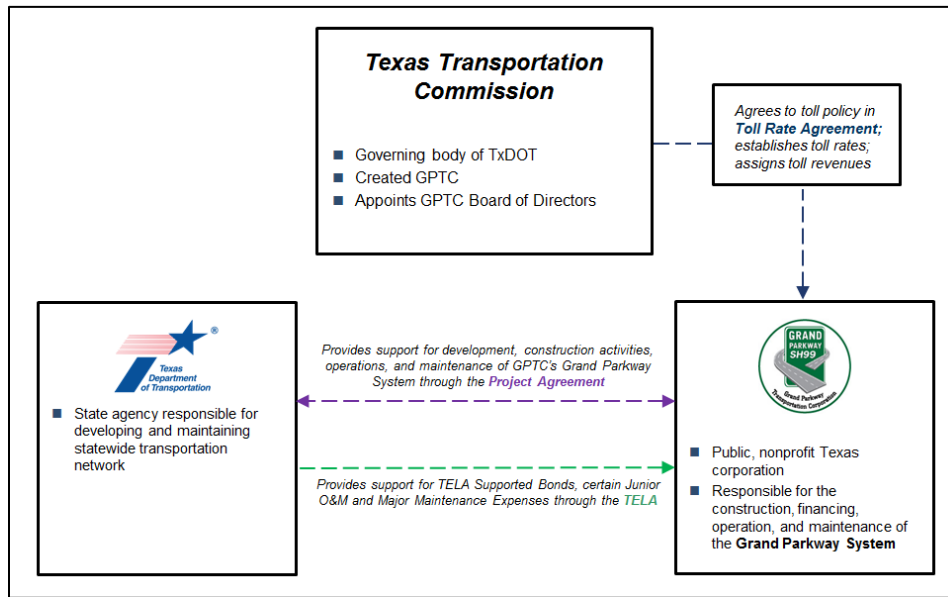
GPTC has responsibility for all aspects of the **Grand Parkway System** (also referred to as the System), including design, construction, operations, maintenance and financing, and all agreements for these segments including contracts entered into by GPTC or assigned to it by TxDOT. The System is comprised 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 were in operation for all of calendar year 2022. Segments H, I-1 and I-2B opened to traffic on May 19, 2022. While existing Segment I-2A became a part of the System effective June 25, 2015, GPTC did 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 which occurred in May 2022.

As shown in the diagram at the top of the next page, GPTC is a separate governmental entity from TxDOT and is governed by the three-member GPTC board of directors. At the end of calendar year end 2022, the board was composed of Stephen Stewart (President), Richard McMonagle (Vice President) and Brian Barth (Board Member). The GPTC holds public meetings and has its own capital and operating budgets. 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 operations and maintenance ("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 cash funding. The 2018 GPTC financing benefited from the TELA as well, in an estimated amount of \$650 million of interest cost savings.

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



System Segment Status

As of the date of this report, Segments D-I 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. 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	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 Chambers, Harris, Liberty, and Montgomery Counties H and I DBA includes construction of: 4 lanes at H-West (H-West Option); 2 lanes for remainder of Segment H and for Segment I-1 (with intermittent passing lanes); 4 lanes for I-2B	Opened to traffic on May 19, 2022, and tolling commenced on May 21, 2022
Segment I-2A	I-10E to FM 1405, in Chambers County 2017 GPI DBA includes improvements to I-2A	Opened to traffic in 2008 and tolling in 2011. Prior to completion of Segments H and I, only the portion from I-10E to Fisher Road was tolled; the portion from Fisher Road to FM 1405 began tolling in May 2022

GPTC Financings

Bonds and Transportation Infrastructure Finance and Innovation Act (TIFIA)

Segments D-G: In 2013 and 2014, GPTC financed the delivery of Segments D-G of the Grand Parkway Project, using toll revenue bonds with a TELA component and a Segments D-G TIFIA loan. Some of the 2013 outstanding bonds were then refinanced in 2014, 2016, and 2020. The D-G TIFIA loan was refinanced in 2020 as well and is no longer outstanding.

Segments H and I: In May 2018, GPTC financed the delivery of Segments H and I of the Grand Parkway System, using TELA supported toll revenue bonds and bond anticipation notes. GPTC closed a TIFIA Loan for Segments H and I on February 21, 2019, which was refinanced August 19, 2021. The 2021 TIFIA loan was drawn in full on November 15, 2022, and the proceeds of the draw were used to defease GPTC's 2018 Bond Anticipation Notes of \$605.33 million.

As of December 31, 2022, a total of approximately \$4.7 billion in GPTC bonds/notes were outstanding.

Grand Parkway Transportation Corporation Debt Obligations Outstanding as of 12/31/2022	
Bond Issuances and TIFIA	Amount
Series 2013-A Bonds	\$47,730,000
Series 2013-B Capital Appreciation Bonds*	\$469,100,570
Series 2013-E Bonds	\$361,810,000
Series 2016 Bonds	\$83,775,000
Series 2018-A Bonds	\$712,100,000
Series 2018-B Bonds	\$166,525,000
Series 2020-A Bonds	\$220,415,000
Series 2020-B Bonds	\$1,241,560,000
Series 2020-C Bonds	\$793,385,000
H and I TIFIA Loan*	\$606,764,217
Total	\$4,703,164,787

*includes accreted interest

Credit Ratings

Fitch rates the GPTC First Tier, and Second Tier "A+". Fitch rates the GPTC Subordinate Tier (TELA supported) at "AA". Moody's rates the Series 2020 First Tier "A2" and "Aa1" for the Subordinate Tier (TELA supported). In September 2022, S&P upgraded the GPTC First Tier rating one notch from "BBB" to "BBB+."

Anticipated Milestones for Calendar Year 2023

- Refund the Series 2018B and Series 2016 Bonds.
- Continue to monitor and potentially implement refinancing opportunities for other existing bonds for interest cost savings.
- Begin letting and continue design on various DBB projects on the System to improve safety and /or comply with MVWA triggers for widenings on the System.

GPTC Regulation and Policies

Market Valuation Waiver Agreement (“MVWA”)

In 2009, TxDOT and the seven counties (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, and Montgomery) 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 with a minimum of a 2% annual increase; (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; (3) limits on competing roads that impact tolled traffic on the corridor Project; and (4) at Level of Service C the roadway will be expanded.

GPTC Toll Policy

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. The toll rate escalation percentage (the greater rate of 2% or the regional CPI (Houston CPI-W)) and the resulting new toll rates are reported annually to the Commission, in accordance with the Toll Rate Escalation Policy. This is done in accordance with the MVWA toll policy, subject to the satisfaction of the toll rate covenant contained in the Toll Rate Agreement for the benefit of GPTC’s bondholders.

Permitted Loads Policy

Prior to November 2021, no permitted loads were allowed to travel on the Grand Parkway System. In 2021, TxDOT implemented a Permitted Loads Pilot Program allowing Permits issued under Transportation Code 623.402, annual Container Permits, (overweight but not oversized) to travel on Segment I-2A of the Grand Parkway from the intersection of SH 146 to the intersection of IH 10. Travel is allowed until April 14, 2023. The Permitted vehicles utilizing the Pilot Program will be required to pay the posted tolls.

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.

Relevant Links

EMMA Website	https://emma.msrb.org
EMMA Grand Parkway Transportation Corporation Issuer Homepage	https://emma.msrb.org/IssuerHomePage/Issuer?id=FE6B36B2ABF03965E043151ED20A5A56&type=M
SH 99 Grand Parkway System – Quarterly Traffic and Operating Report (most recent)	https://emma.msrb.org/P21699374.pdf
Grand Parkway Transportation AFR (most recent)	https://emma.msrb.org/P11692257.pdf
Grand Parkway T&R Forecast (most recent)	https://emma.msrb.org/SS1492685.pdf
Grand Parkway H and I Project Construction Progress Report (most recent)	https://emma.msrb.org/P21631771.pdf
Grand Parkway Transportation Corporation Investor Relations Website	http://www.dot.state.tx.us/grandparkwaysystem/investor-relations.htm
Grand Parkway System Toll Rate Schedules	https://www.txtag.org/xtagstorefront/en/learnmore/houstonAreaTolls

