

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

Page 1 of 2

VARIOUS Districts

Government Code, Chapter 2256 (Public Funds Investment Act) authorizes the Texas Transportation Commission (commission) to purchase, sell, and invest its funds and funds under its control in investments authorized under the Public Funds Investment Act, in accordance with investment policies approved by the commission.

Government Code, §2256.005 requires the commission to adopt a written investment policy regarding the investment of its funds and funds under its control, including a separate written investment strategy for each of the funds or group of funds under its control, and to designate one or more officers or employees of the Texas Department of Transportation (department) as investment officer to be responsible for the investment of funds consistent with the investment policy.

Government Code, §2256.023 requires the designated investment officer to prepare and submit to the commission and the executive director, not less than quarterly, a written report of investment transactions for all funds covered by the Public Funds Investment Act for the preceding reporting period. The report must describe in detail the investment position of the department on the date of the report, and must be prepared jointly and signed by each investment officer.

Pursuant to this legislation, in Minute Order 108970, dated July 25, 2002, the commission approved and adopted a written investment policy and written investment strategy applicable to funds of the commission held under the Indenture of Trust dated July 15, 2002 securing the outstanding bonds, notes or other obligations issued by the commission to finance a portion of the cost of the initial phase of the Central Texas Turnpike System, also known as the 2002 Project. The investment policy and investment strategy have been amended pursuant to Minute Order 109066, dated October 31, 2002, Minute Order 109339, dated July 31, 2003, Minute Order 109462, dated October 30, 2003, Minute Order 109732, dated July 29, 2004, Minute Order 109963, dated February 24, 2005, Minute Order 110087, dated May 26, 2005, Minute Order 110145, dated July 28, 2005, Minute Order 110617, dated July 27, 2006, Minute Order 111003, dated July 26, 2007, Minute Order 111490, dated August 28, 2008, and Minute Order 111931, dated August 27, 2009. The commission has designated the department's Chief Financial Officer, Director of Finance and Deputy Director of Finance as investment officers. The Debt Management Director is authorized to act as investment officer in the absence of the Chief Financial Officer, Director of Finance and the Deputy Director of Finance.

Section 9.0 of the investment policy requires the investment officer to prepare and submit to each member of the commission and the executive director of the department an investment report on no less than a quarterly basis. The report must be prepared in accordance with the requirements of that section, including containing sufficient information to provide for a comprehensive review of investment activity and current investment instruments and performance for the reporting period.

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VARIOUS Districts

Quarterly investment reports will be prepared for each quarter of the department's fiscal year. A quarterly investment report for the 2002 Project for the period ending November 30, 2009, attached as Exhibit A, has been prepared in accordance with Government Code, §2256.023 and Section 9.0 of the investment policy.

IT IS THEREFORE ORDERED by the commission that the quarterly investment report attached as Exhibit A is accepted.

Submitted and reviewed by:



Director, Finance Division

Recommended by:



Executive Director
112131 JAN 28 10

Minute Date
Number Passed

TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

**AS OF
November 30, 2009**

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INVESTMENT DISCUSSION – 2002 PROJECT

INTRODUCTION

This section relates to investments made by the Texas Transportation Commission (Commission) and held by The Bank of New York Mellon, acting as trustee. The investments include bond proceeds, other contributions for the purpose of financing the (“2002 Project”) Central Texas Turnpike System and revenues derived from operation of the system.

The Commission’s investment strategy identifies four fund types in association with its Trust Indenture dated July 15, 2002.

Type I Funds: Funds in the Revenue Fund, General Reserve Fund and Debt Service Funds, other than Capitalized Interest Funds

Type II Funds: Funds in the Rate Stabilization Fund

Type III Funds: Funds in the Construction Fund and Capitalized Interest Funds

Type IV Funds: Funds in the Debt Service Reserve Fund

Proceeds from the sale of the Series 2002 Bonds were deposited to Type III and Type IV Funds in August 2002. Type I and Type II Funds consist primarily of toll revenues, funded after the opening of the 2002 Project of the Central Texas Turnpike System. The Commission has entered into agreements with local governments whereby the local governments transfer funds to the Texas Department of Transportation to fund purchases of right of way land and other project-related costs. The Commission has executed separate contribution agreements with the City of Austin, the City of Round Rock, and Travis and Williamson counties. The contributing subdivisions contributed to the right of way costs of portions of the 2002 Project located within their respective boundaries. The monies collected from the contributing subdivisions were deposited with the trustee and are characterized as Type III Funds and are referred to as capital contribution funds. These amounts are included in this report.

The investments suitable for each fund type have been determined using the following criteria pursuant to the Commission’s investment strategy:

- 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 of bond proceeds and toll revenues has been made in accordance with the criteria specified in the Commission’s investment policy and strategy as described above. Investments were made based primarily on preservation and safety of principal. After preservation of principal, consideration was given to liquidity and marketability needs for each fund. Diversification criteria were met by staggering the maturity dates of the investments and the use of different security types. Lastly, yield was considered to maximize return. The table on the following page summarizes the initial investments.

SUMMARY OF INITIAL INVESTMENTS

Fund Type	Fund Invested	Product	Security Type or Collateral	Initial Deposit/ Contract Amount	Yield/ Rate	Provider ⁽¹⁾
III	CapI (First Tier)	Individual Securities	Treasuries/Agencies	210,970,479	3.0600%	BofA ⁽⁴⁾
III	CapI (First Tier)	Money Market Fund	Treasuries/Agencies	1,656,374	1.3000%	BO
III	CapI (Second Tier)	Individual Securities	Treasuries/Agencies	227,876,048	3.0600%	BofA ⁽⁴⁾
III	CapI (Second Tier)	Money Market Fund	Treasuries/Agencies	1,568,259	1.3000%	BO
III	Construction	Forward Purchase Agmt	CP/Treasuries/Agencies	274,999,847	2.5000%	SSB
III	Construction	Individual Securities	Treasuries/Agencies	548,743,394	3.0600%	BofA ⁽⁴⁾
III	Construction	Forward Purchase Agmt	Treasuries/Agencies	199,985,908	1.8350%	ML
III	Construction	Forward Purchase Agmt	Treasuries/Agencies	339,560,338	1.8475%	SSB
III	Construction	Forward Purchase Agmt	Treasuries/Agencies	99,999,942	1.7960%	BofA
III	Construction	Money Market Fund	Treasuries/Agencies	250,073,838	1.3000%	BO
III	Construction	Money Market Fund	Treasuries/Agencies	30,000,000	1.4500%	BO
IV	DSRF ⁽³⁾	Flexible Repurchase Agmt	104% UST/105% Agencies ⁽²⁾	114,999,378	5.2000%	SSB
IV	DSRF ⁽³⁾	Forward Purchase Agmt	Treasuries/Agencies	14,999,950	4.4750%	WB
Total				\$2,315,433,755		

(1) Key:

SSB = Salomon Smith Barney

BofA = Bank of America

ML = Merrill Lynch

WB = Wachovia Bank

BO = Bank One

(2) Collateralized Repurchase Agreement

(3) Debt Service Reserve Fund

(4) Individual Securities were competitively bid and purchased from BofA and delivered to the Commission. There is no ongoing relationship with BofA for these securities.

Management Discussion of Investments

Type I and Type II Funds are funded primarily from daily toll revenues and are used for making semi-annual debt service payments to bondholders, funding the Rate Stabilization Fund, and operating and maintaining the system. These funds have a very short investment horizon as operating and maintenance expenses are paid frequently and Debt Service Funds are typically depleted at least annually. (The Commission, however, is permitted a reasonable carryover in the Debt Service Fund, which may be up to 1/12 of the prior year's debt service.)

The last section of the 2002 Project opened in April 2008. Revenues are being deposited into the Revenue Fund (Type I Funds). In August 2008, \$63.6 million of toll revenue deposits were transferred from the Revenue Fund to the Rate Stabilization Fund. Subsequent to that initial transfer to the Rate Stabilization Fund, other transfers were made to raise the balance to \$67.8 million and reflect the other non-toll revenues collected through August 31, 2008. The Rate Stabilization Fund requirement is an amount equal to the greater of (a) all revenues, less required deposits, through August 31, 2008, or (b) \$10 million.

The Capitalized Interest Account was used to make payments to bondholders during the construction period and through a portion of the ramp up period after the project was completed. At the time of the initial financing, debt service payments were capitalized through December 1, 2008. The project experienced a slower than anticipated draw on Construction Funds, which resulted in greater interest earnings, higher than projected interest rates for a period of time, and lower than modeled variable rate interest costs from September 2002 through December 2007. As a result of these factors, capitalized interest provided debt service payments through fiscal 2009, nine months longer than initially projected.

Credit ratings on the bond insurer and the liquidity provider for the Series 2002-B bonds had been downgraded, resulting in higher than comparable interest rates on the variable rate bonds. On March 5, 2009 the Commission

issued \$149,425,000 in refunding bonds that defeased all of the Series 2002-B bonds. The refunding bonds provide a fixed interest rate of five percent for a period of two years, which will make the interest payments lower and more predictable.

As all construction expenditures have now been made for the 2002 Project, the Construction Fund has been closed. The balance in the Construction Fund was transferred to the 1st Tier Interest Account in February 2009.

The Debt Service Reserve Fund (DSRF), a Type IV Fund, is generally invested for a longer time period but may be called upon at any time 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 (\$15 million) was invested in a Forward Purchase Agreement (FPA) consisting of U.S. Treasury and Agency securities. The balance was invested in a repurchase agreement collateralized by U.S. Treasury and Agency securities. Diversity in maturities was achieved with a 10-year term for the FPA and a 20-year term for the repurchase agreement.

All other funds, including Capital Contribution Funds, the Rate Stabilization Fund, Revenue Fund and Debt Service Interest Accounts are invested in money market funds that are in compliance with the Commission's investment policy. These funds have the highest degree of liquidity and preservation of capital.

A. INVESTMENT ACTIVITY FOR PERIOD ENDING NOVEMBER 30, 2009

Investment activity for the period consisted of securities maturing and the purchase and sale of money market funds. Attached as Schedule 1 is a summary statement that presents the beginning and ending fair values, purchases, sales and maturities, and accrued interest for the period ending November 30, 2009.

Per GASB Statement 31, governmental entities should report investments at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The trustee provides the fair value for all department investments. The change in the fair value of investments is calculated by the difference between the fair value of investments at the beginning of the period and at the end of the period, taking into consideration investment purchases, sales, and redemptions. The fair value of investments at the end of the reporting period translates to the beginning book value for the subsequent reporting period.

Following the methodology in GASB 31, instead of amortizing premiums and discounts on debt securities the investments are shown at fair value. Fair value information is more useful than cost-based information in evaluating performance because it portrays the market's estimate of the net future cash flows of investments, discounted to reflect both time value and risk. Fair value provides users with information to help them assess a government's accountability, the level of services that it potentially can provide, and its financial position and condition. Recognizing changes in value when they occur, rather than when they are realized, provides a measure of current performance. Consistent with reporting investments at their fair value, interest income is reported at the stated interest rate; and any premiums or discounts on debt securities are not amortized. All investment income, including changes in the fair value of investments, is reported as revenue in the operating statement. Realized gains and losses are reported as a single line item in combination with the net increase (decrease) in the fair value of investments in the financial statements.

B. INVESTMENT PORTFOLIO VALUE

See Schedule 1 for a schedule of investments including maturity dates, fair value at the beginning and end of this reporting period, investment activity, yield and interest earned.

C. INVESTMENT STRATEGY

The investment instruments described in Schedule 1 are in compliance with the investment strategy of the Commission.

D. CURRENT MARKET CONDITIONS AND RECOMMENDED POLICY AMENDMENTS

Various Interest Rates as of November 30, 2009:

Discount Rate – .50%
3-Month Treasury – .05%
90-Day LIBOR – .2681%
5-Year Treasury – 2.23%
10-Year Treasury – 3.40%
20-Year Treasury – 4.24%

See attached Schedule 2 – History of Interest Rates Graph.

E. DIVERSIFICATION

The Commission's investment policy sets out certain diversification requirements in order to reduce risk. The following is a statement of compliance with such diversity requirements:

- (a) Portfolio maturities have been matched versus liabilities to avoid undue market risk as discussed above.
- (b) As described above, all investments provide for stability of income and liquidity.
- (c) The majority of the portfolio has been invested in cash equivalent instruments (money market mutual funds) to provide daily liquidity. The remainder of the portfolio has been invested in securities and investment agreements with maturities ranging from one month to twenty years.
- (d) No investments have maturities in excess of the maximum maturity permitted by the trust indenture or the limits specified in the Commission's investment strategy.
- (e) All securities meet the rating restrictions defined in Sections 13 and 14 of the Commission's investment policy.

**TEXAS DEPARTMENT OF TRANSPORTATION
CENTRAL TEXAS TURNPIKE SYSTEM
SCHEDULE 1
Public Funds Investment Act
Quarterly Investment Activity
For the Period Ending November 30, 2009**

Security Type	Description	Current Maturity Date	Book Value/Fair Value @ 08/31/09*	Accretion/Purchases	Sales/Maturities	Book Value @ 11/30/09	Fair Value @ 11/30/09	Yield to Market (ST)	Yield to Maturity (LT)**	FY 10 1st Quarter Interest Income***
Money Market Funds (Short Term)										
	JPM US GOVT MMKT FD 3164 CAPITAL		303,523,568	19,781,321	1,134,942	322,169,947	322,169,947			156,739
	Dreyfus Inst'l Cash Adv 99 Inst'l		22,313,000	9,470,162	561	31,782,601	31,782,601			20,548
U.S. Government Agencies (Short Term)										
	FHLB Discount	2/12/2010	15,315,669	0	0	15,315,669	15,329,467	4.280%		13,798
Flexible Repurchase Agreement (Long Term)										
	SALOMON MASTER REPO	8/15/2022	114,999,378	0	0	114,999,378	114,999,378		5.200%	
			<u>456,151,615</u>			<u>484,267,595</u>	<u>484,281,393</u>			<u>191,085</u>

* Per GASB 31, Investments are to be reported at their fair value and any premiums or discounts should not be amortized. The resulting beginning book value of the investments is adjusted to fair value at the end of the previous reporting period.

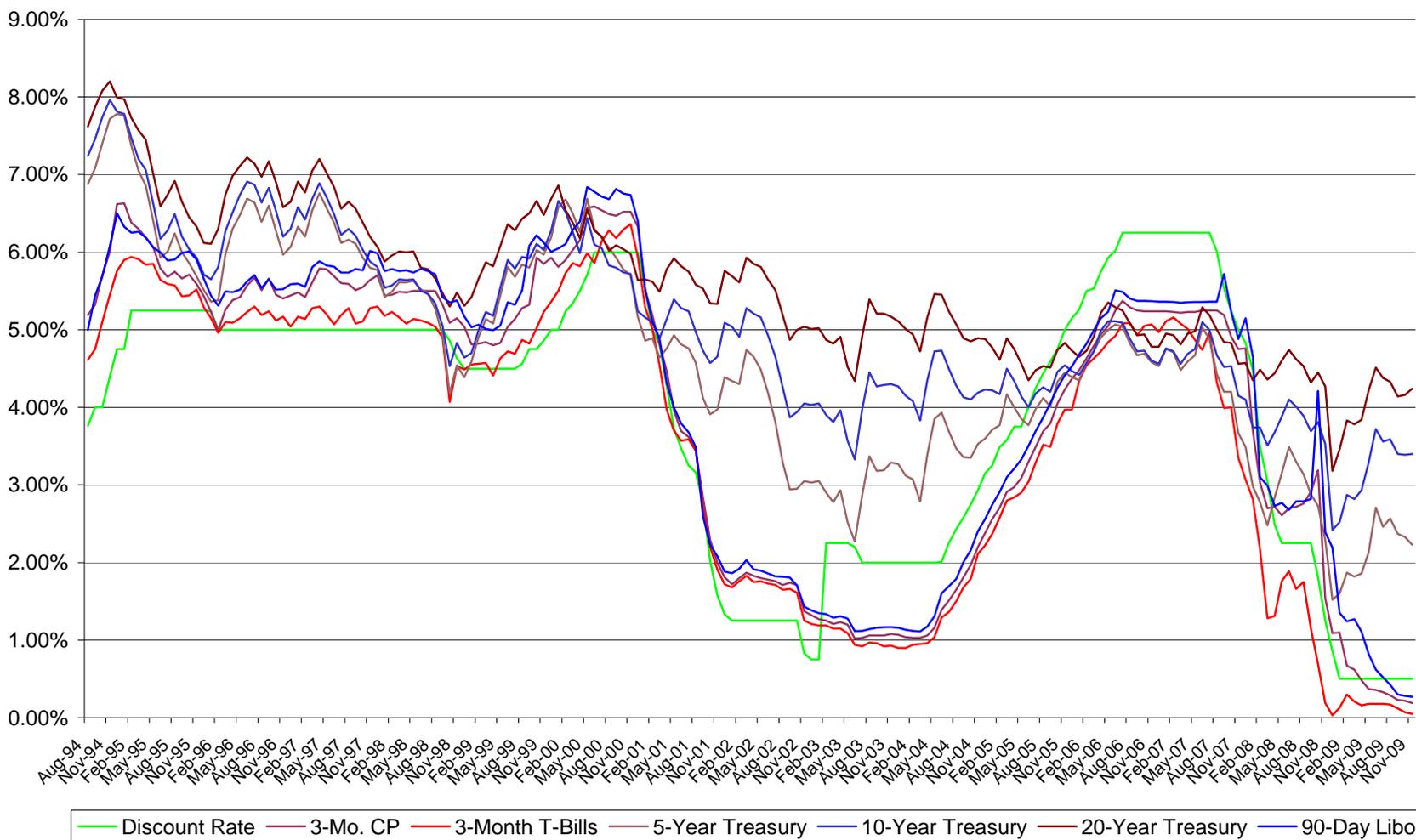
**Yield to Maturity for each security is shown as reported by Bloomberg, a generally accepted source for such information in the municipal marketplace. RBC Dain has not undertaken to confirm or verify that yield to maturity values have been determined correctly.

*** Interest Income is reported on an accrual basis. August 2009 interest in the amount of \$65,870 is also included since it has not been previously reported.

Key:

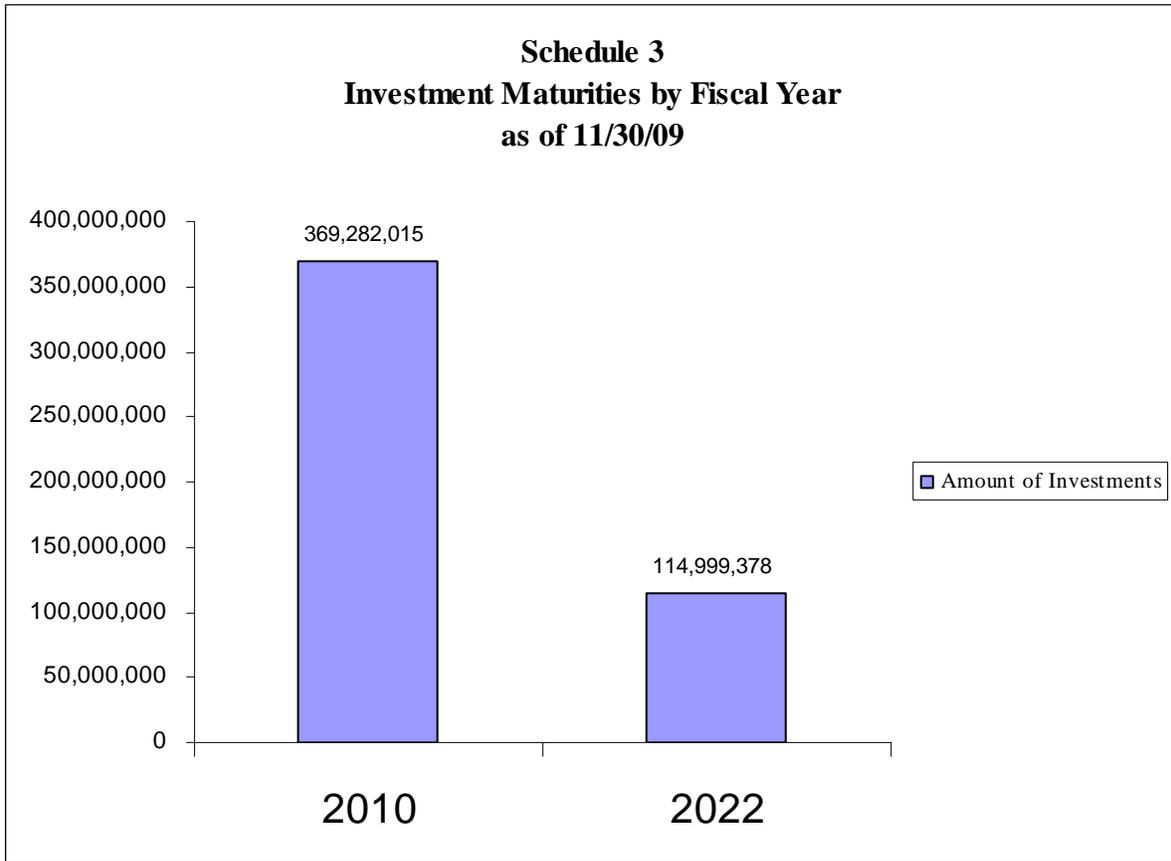
FHLB = Federal Home Loan Bank

Schedule 2: History of Interest Rates



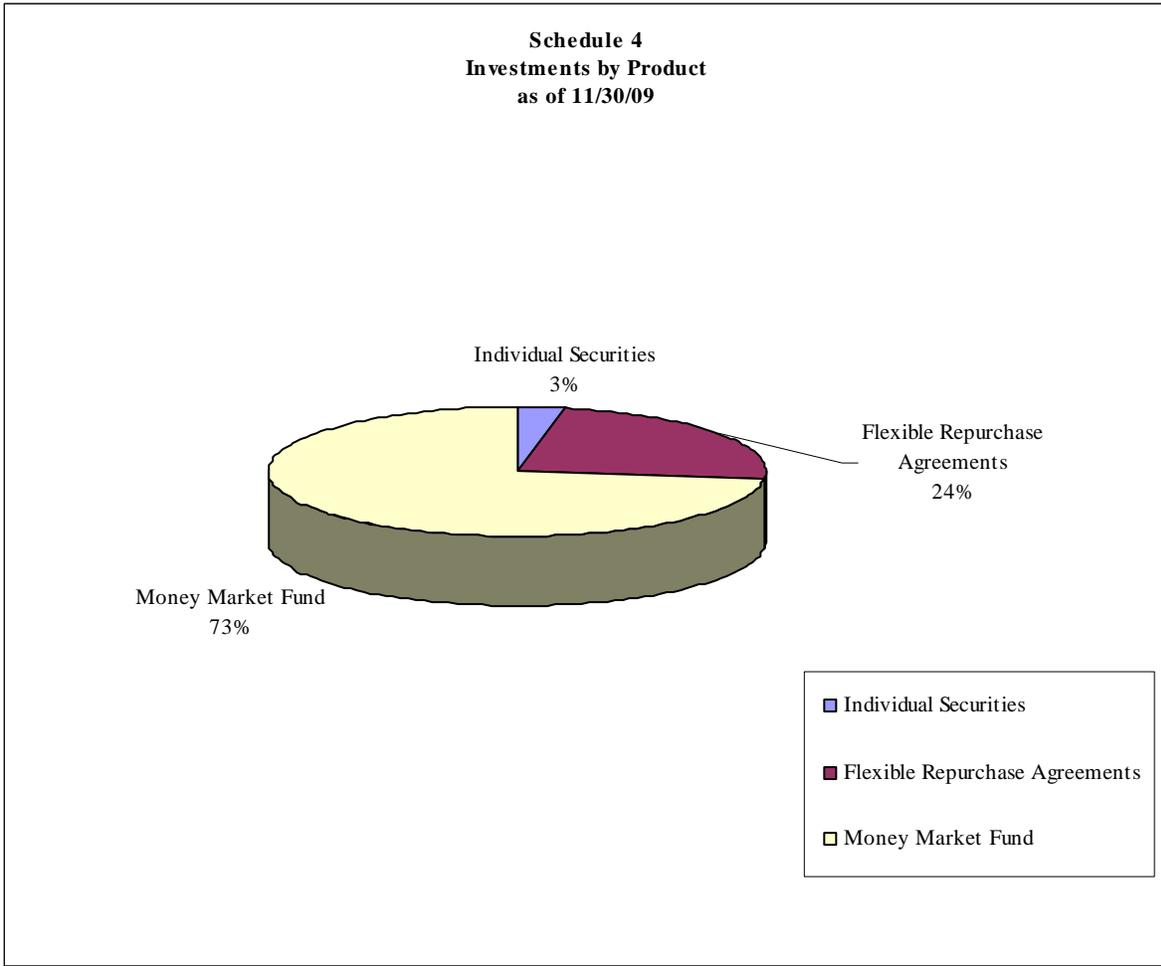
Schedule 3
Texas Department of Transportation
Central Texas Turnpike System
Investment Maturities by Fiscal Year

Total Investments at Fair Value - Maturity by Fiscal Year	11/30/2009
	Fair Value
2010	369,282,015
2022	114,999,378
TOTAL INVESTMENTS - ALL FUNDS	484,281,393



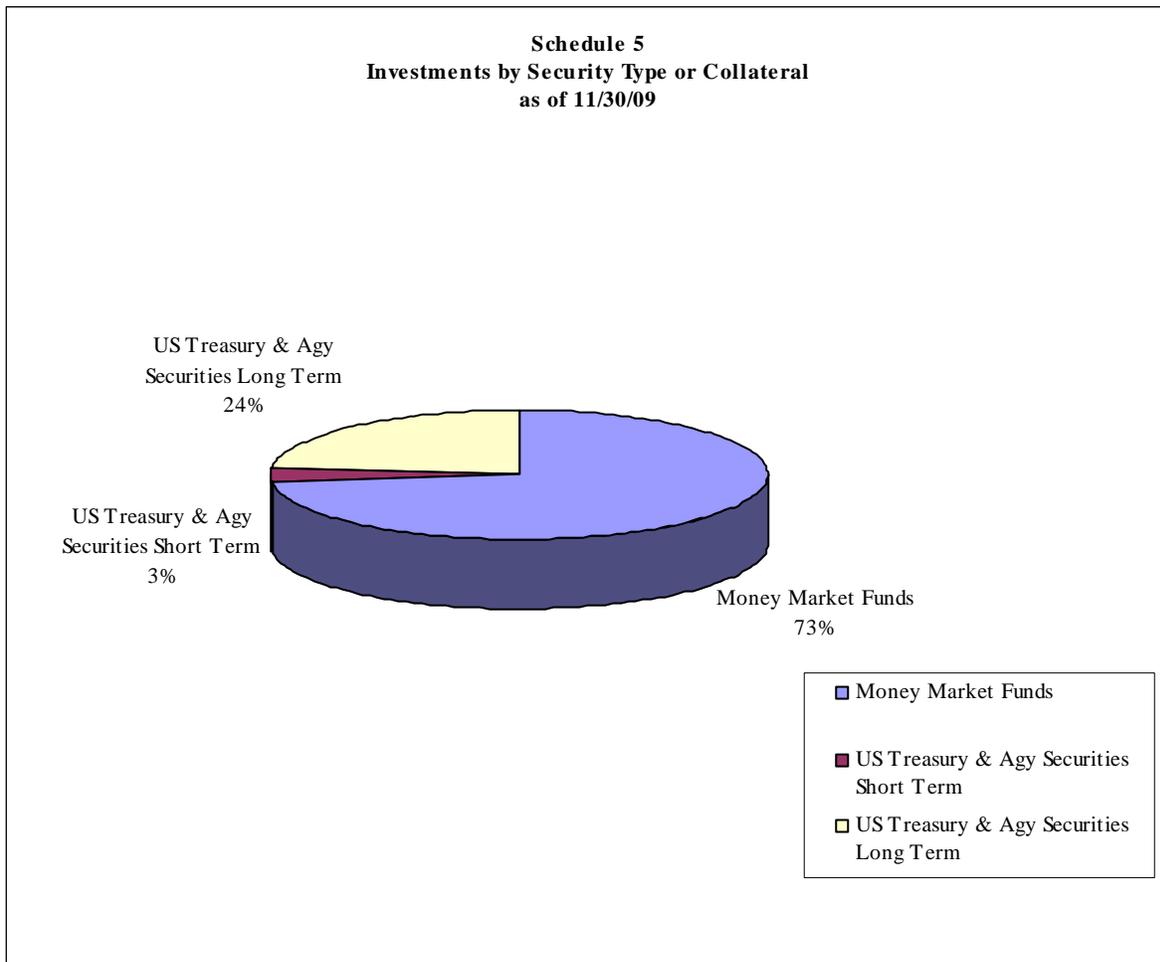
Schedule 4
Texas Department of Transportation
Central Texas Turnpike System
Investments by Product

Investment Product	11/30/2009
	Fair Value
Individual Securities	15,329,467
Flexible Repurchase Agreements	114,999,378
Money Market Fund	353,952,548
	<hr/>
	484,281,393



Schedule 5
Texas Department of Transportation
Central Texas Turnpike System
Investments by Security Type or Collateral

Security Type/Collateral	11/30/2009
	Fair Value
Money Market Funds	353,952,548
US Treasury & Agy Securities Short Term	15,329,467
US Treasury & Agy Securities Long Term	114,999,378
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	484,281,393
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Schedule 6
Texas Department of Transportation
Central Texas Turnpike System
Investments by Long Term/Short Term

	11/30/2009
Maturity	Fair Value
Short Term Investments (Term < 1 yr)	369,282,015
Long Term Investments (Term > 1 yr)	114,999,378
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	484,281,393
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