

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.

Pursuant to this legislation, in Minute Order 108970, dated July 25, 2002, the commission approved and adopted a written investment policy and investment strategy applicable to funds of the commission held under the Indenture of Trust dated July 15, 2002 securing the outstanding bonds, notes and 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 commission has designated the department's Chief Financial Officer as investment officer. In the absence of the Chief Financial Officer, the Director of Finance, Deputy Director of Finance or the Debt Management Director is authorized to act as investment officer.

Pursuant to Government Code §2256.005(e) and Section 20 of the investment policy, the investment policy and investment strategies of the commission have been reviewed and revised annually by minute order since 2003, most recently amended by Minute Order 112401, dated August 26, 2010.

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.

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.

TEXAS TRANSPORTATION COMMISSION

VARIOUS Counties

MINUTE ORDER

Page 2 of 2

VARIOUS Districts

A quarterly investment report for the department for the period ending August 31, 2010, 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

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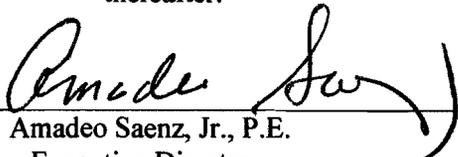
Minute
Number

Date
Passed

MANAGEMENT'S CERTIFICATION OF THE QUARTERLY INVESTMENT REPORT

I certify that I have reviewed the Quarterly Investment Report as of and for the period ended August 31, 2010 that is being submitted for acceptance by the Texas Transportation Commission. To the best of my knowledge and belief:

1. In all material respects the Investment Report was prepared in accordance with the guidelines presented in Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal control during the period covered by the report or thereafter.



Amadeo Saenz, Jr., P.E.
Executive Director

10/14/10

Date



James M. Bass
Chief Financial Officer
Investment Officer

10/14/10

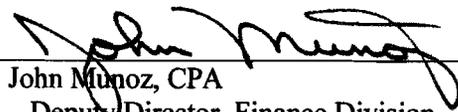
Date



Brian D. Ragland, CPA
Director, Finance Division
Investment Officer

10-14-10

Date



John Munoz, CPA
Deputy Director, Finance Division
Investment Officer

10-14-10

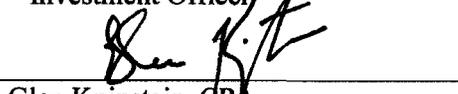
Date



Vacant
Director, Debt Management, Finance Division
Investment Officer

10-14-10

Date



Glen Knipstein, CPA
Director, Accounting Management, Finance Division

10-14-10

Date

TEXAS TRANSPORTATION COMMISSION

QUARTERLY INVESTMENT REPORT

**AS OF
August 31, 2010**

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2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal control during the period covered by the report or thereafter.

Amadeo Saenz, Jr., P.E. Executive Director	Date
James M. Bass Chief Financial Officer Investment Officer	Date
Brian D. Ragland, CPA Director, Finance Division Investment Officer	Date
John Munoz, CPA Deputy Director, Finance Division Investment Officer	Date
Vacant Director, Debt Management, Finance Division Investment Officer	Date
Glen Knipstein, CPA Director, Accounting Management, Finance Division	Date

INVESTMENT DISCUSSION – 2002 Central Texas Turnpike Project**INTRODUCTION**

The investments of the Texas Transportation Commission (Commission) are held by The Bank of New York Mellon, acting as trustee. The funding of investments include bond proceeds, capital contributions for the purpose of financing the 2002 Project of the Central Texas Turnpike System (the System), revenues derived from operation of the System and related investment earnings.

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

Type I Funds include the Revenue Fund, General Reserve Fund and Debt Service Funds. Type I Funds consist primarily of toll revenues and fees.

Type II Funds include only the Rate Stabilization Fund, which consists of money transferred from the Revenue Fund.

Type III Funds include the Construction and Capitalized Interest Funds and consist primarily of bond proceeds and capital contributions from the Department and local governments for project-related costs.

Type IV Funds include only the Debt Service Reserve Fund, which consists of bond proceeds from the 2002 bond issuance.

The investments suitable for each fund type have been determined using the following criteria and priorities pursuant to the Commission's Investment Policy and the Investment Strategy relating to the Central Texas Turnpike System:

- 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.

MANAGEMENT DISCUSSION

Type I Funds provide for semi-annual debt service payments to bondholders, fund the Rate Stabilization Fund, and can pay operating and maintenance expenses of the System. These funds have a very short investment horizon as operating and maintenance expenses are paid frequently and debt service payments are made semi-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.)

Type II Funds include the Rate Stabilization Fund. In accordance with the Bond Indenture, the required balance for this fund is \$67.8 million, the accumulated total revenue of the System through August 31, 2008. The Rate Stabilization Fund may be used to cure deficiencies for debt service payments or to supplement payments for operating and maintenance costs.

Currently, Type III Funds include only capital contributions from local governments and the Department and related earnings. These funds may be used for 2002 Project-related expenses.

All Type I, II and III funds 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.

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.

REPORTING QUARTERLY INVESTMENT ACTIVITY

Attached as Schedule 1 is the Quarterly Investment Activity statement for the period ending August 31, 2010. Investment activity for the period consisted of the purchase and redemption of U.S. Government Agency Obligations (“discount notes”) and the purchase and sale of money market funds.

The decrease in investments for the fourth quarter is primarily due to a \$15 million reimbursement to the State Highway Fund (FD6) for the System’s operations and maintenance, debt service payments of \$22 million on the System’s Series 2002-A and Series 2009 bonds, and a \$5 million interest payment on the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

The statement of activity was prepared in compliance with generally accepted accounting principles as it relates to fair value reporting of investments as required by GASB Statement 31. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. 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. The trustee provides the fair value for all department investments.

All discount notes and the repurchase agreement are intended to be held to maturity. Discount notes are obligations that are issued at a discount and mature at par. Maturities range from overnight through one year. Discount notes purchased during the quarter as investments of the Commission had maturities between one week and two months. The repurchase agreement will mature on August 22, 2022.

All investment income, including changes in the fair value of investments, is reported as revenue in the operating statement. Recognizing changes in value when they occur, rather than when they are realized, provides a measure of current performance.

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

CURRENT MARKET CONDITIONS

Various Interest Rates as of August 31, 2010:

Discount Rate – .75%
3-Month Treasury – .16%
90-Day LIBOR – .3626%
5-Year Treasury – 1.47%
10-Year Treasury – 2.70%
20-Year Treasury – 3.52%

See attached Schedule 2 – History of Interest Rates Graph.

RECOMMENDED STRATEGY AMENDMENTS

There are no recommended changes to the investment strategy.

**TEXAS DEPARTMENT OF TRANSPORTATION
CENTRAL TEXAS TURNPIKE SYSTEM
SCHEDULE 1
Public Funds Investment Act
Quarterly Investment Activity
For the Period Ending August 31, 2010**

Security Type	Maturity Date	Beginning Book Value 5/31/10 ¹	Purchases	Sales/ Maturities	Book Value @ 8/31/10	Change in Fair Value	Ending Fair Value 8/31/10	Yield to Market (ST) ²	Yield to Maturity (LT) ²	Interest Income
Money Market Funds (Short-Term)										
JPM US Govt MMKT FD 3164 Capital		\$ 349,884,121	\$ 24,267,618	\$ 93,417,379	\$ 280,734,360		\$ 280,734,360			\$ 90,083
Dreyfus Inst'l Cash Adv 99 Inst'l		3,347,972	70,276,485	35,976,102	37,648,355		37,648,355			3,338
U.S. Government Agency Obligations (Short-Term)										
FHLMC Discount Note (CUSIP 313397YE5)	6/17/2010	15,225,000	-	15,225,000	0		0	4.26%		
FHMA Discount Note (CUSIP 313589B51)	8/11/2010	-	14,999,313	15,100,000	(100,687)	100,687	0	4.28%		
FHLB Discount Note (CUSIP 313385C20)	8/16/2010	-	14,999,677	15,009,000	(9,323)	9,323	0			
FHLB Discount Note (CUSIP 313385E36)	9/2/2010	-	14,999,167	-	14,999,167	29,833	15,029,000	3.57%		
Flexible Repurchase Agreement (Long-Term)										
Salomon Master Repo	8/15/2022	114,999,378			114,999,378		114,999,378		5.200%	1,528,214
		<u>\$ 483,456,471</u>	<u>\$ 139,542,260</u>	<u>\$ 174,727,481</u>	<u>\$ 448,271,250</u>	<u>\$ 139,843</u>	<u>\$ 448,411,093</u>			<u>\$ 1,621,635</u>

¹ 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.

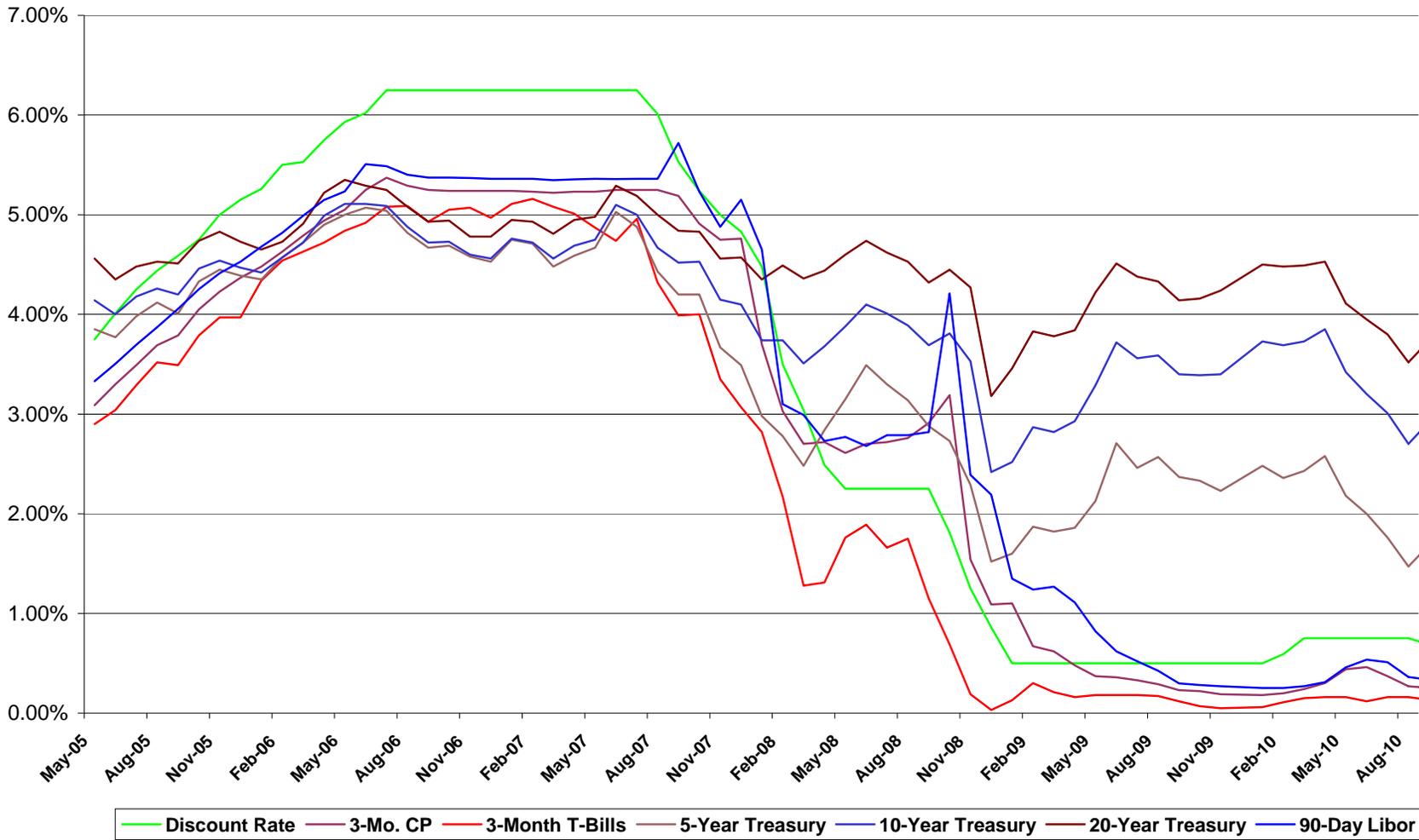
² Yield to Market and Yield to Maturity are shown as reported by Bank of New York Mellon statements at 8/31/10.

FHLMC = Federal Home Loan Mortgage Corporation

FNMA = Federal National Mortgage Association

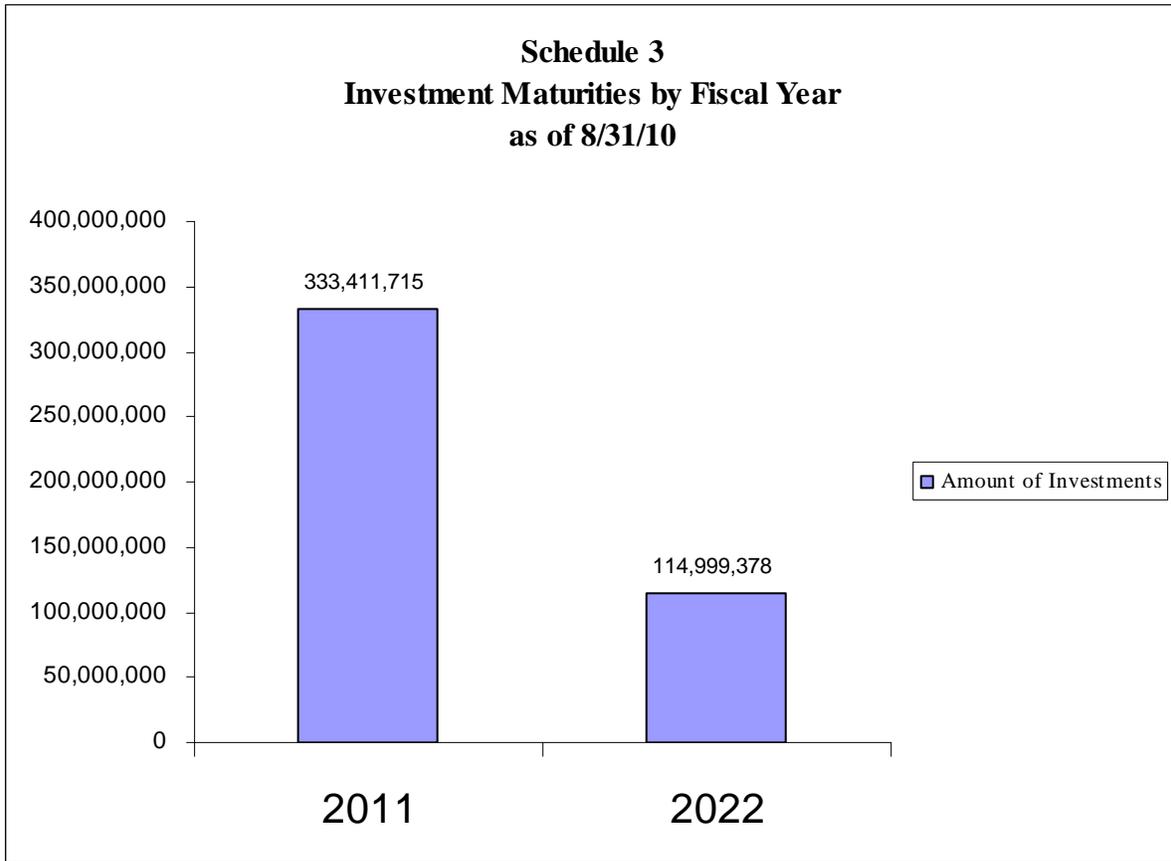
FHLB = Federal Home Loan Bank

Schedule 2: History of Interest Rates



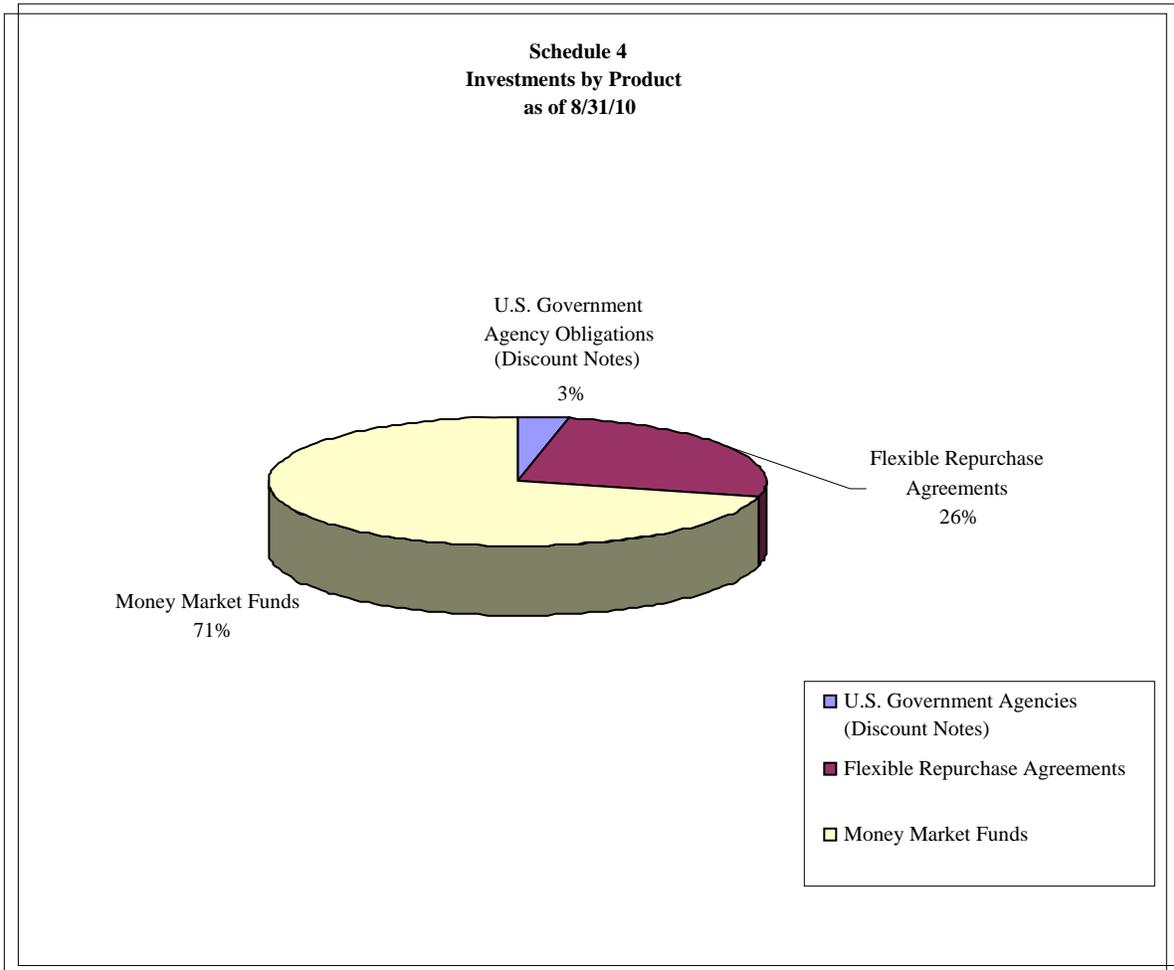
Schedule 3
Texas Department of Transportation
Central Texas Turnpike System
Investment Maturities by Fiscal Year

Total Investments at Fair Value - Maturity by Fiscal Year	8/31/2010
	Fair Value
2011	333,411,715
2022	114,999,378
TOTAL INVESTMENTS - ALL FUNDS	448,411,093



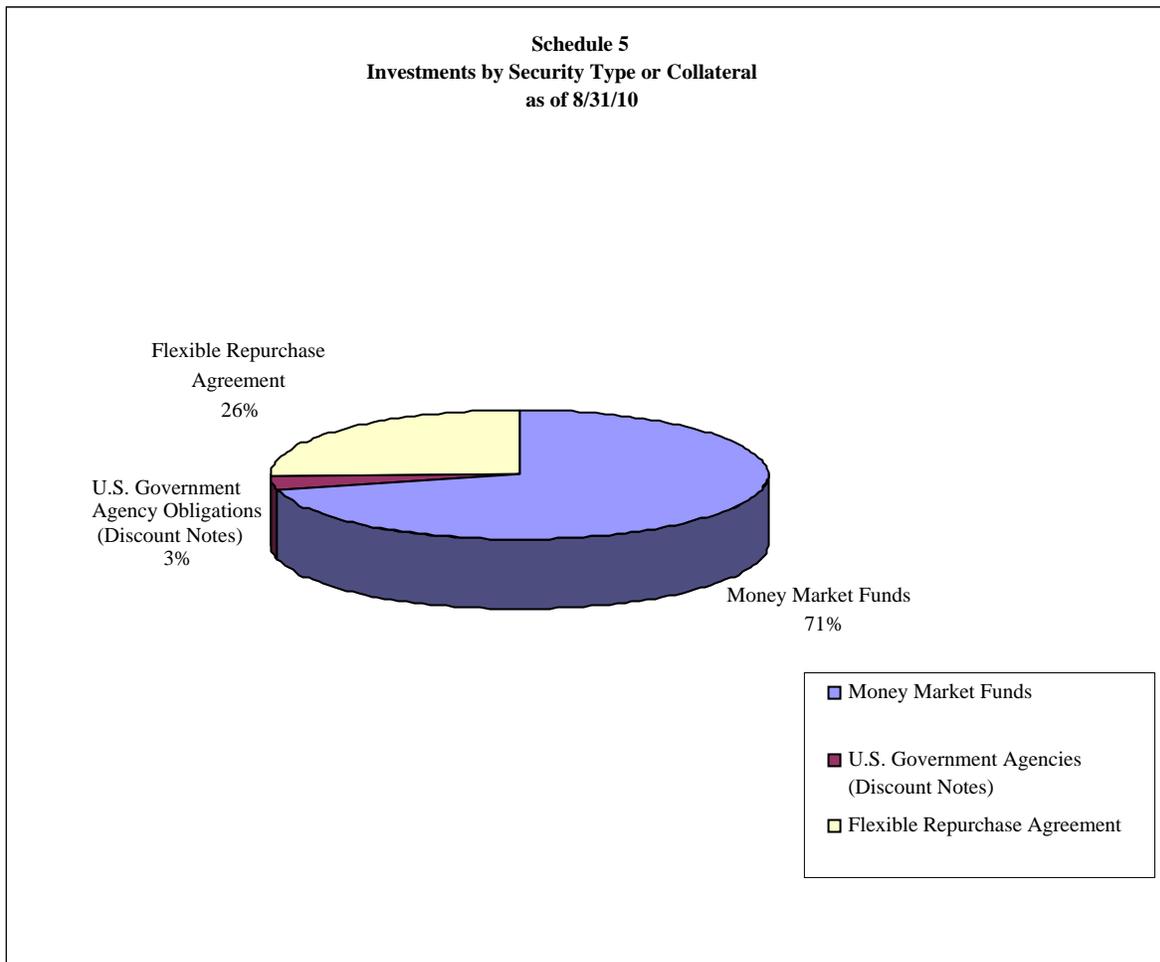
Schedule 4
Texas Department of Transportation
Central Texas Turnpike System
Investments by Product

Investment Product	8/31/2010
	Fair Value
U.S. Government Agency Obligations (Discount Notes)	15,029,000
Flexible Repurchase Agreements	114,999,378
Money Market Funds	318,382,715
	<hr/>
	448,411,093
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Schedule 5
Texas Department of Transportation
Central Texas Turnpike System
Investments by Security Type or Collateral

Security Type/Collateral	8/31/2010 Fair Value
Money Market Funds	318,382,715
U.S. Government Agency Obligations (Discount Notes)	15,029,000
Flexible Repurchase Agreement	114,999,378
	448,411,093



Schedule 6
Texas Department of Transportation
Central Texas Turnpike System
Investments by Long-Term/Short-Term

Maturity	8/31/2010
	Fair Value
Short-Term Investments (Term < 1 yr)	333,411,715
Long-Term Investments (Term > 1 yr)	114,999,378
	448,411,093

