

PRELIMINARY OFFICIAL STATEMENT DATED JULY 16, 2012

Ratings:
Moody's: "___"
Fitch: "AA+"
See ("OTHER INFORMATION—RATINGS" herein)

NEW ISSUE - Book-Entry-Only

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

\$179,825,000*

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
(Fort Bend County, Texas)
LIMITED CONTRACT TAX AND SUBORDINATE LIEN
TOLL ROAD REVENUE BONDS, SERIES 2012

Dated: August 1, 2012

Due: March 1, as shown on inside cover

Interest Accrual Date: Delivery Date

The Bonds. . . The \$179,825,000* Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012 (the "Bonds"), are being issued by the Fort Bend Grand Parkway Toll Road Authority (the "Authority") pursuant to the Constitution and general laws of the State of Texas, including Chapters 284 and 431, Texas Transportation Code, as amended, Chapter 1201, Texas Government Code, an order adopted by the Board of the Authority (the "Bond Order"), and a Master Trust Indenture (the "Master Indenture") between the Authority and Wells Fargo Bank, N.A. (the "Trustee") dated as of July 1, 2012, and a First Supplemental Trust Indenture (the "Supplemental Indenture") between the Authority and the Trustee dated as of July 1, 2012. The Master Indenture and the Supplemental Indenture are collectively referred to as the "Indenture."

Interest on the Bonds will accrue from the date of delivery, and will be payable on March 1 and September 1 of each year, commencing March 1, 2013. The Bonds will be issued in fully registered form in principal denominations of \$5,000 or any integral multiple thereof. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Trustee to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS—BOOK-ENTRY ONLY SYSTEM" herein. The initial Trustee is Wells Fargo Bank, N.A. See "THE BONDS—TRUSTEE."

Source of Payment . . . The Bonds are direct obligations of the Authority, payable from an unconditional obligation of Fort Bend County, Texas (the "County") to make contract payments, pursuant to a Joint Project Agreement between the County and the Authority, from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the Indenture, together with a subordinate lien pledge of Net Revenues of the Fort Bend Grand Parkway (as defined in the Indenture). See "SECURITY AND SOURCE OF PAYMENT."

Purpose . . . Proceeds from the sale of the Bonds will be used (i) to finance the design, construction, equipment and other miscellaneous costs of the Project (as defined herein), (ii) to pay 36 months of capitalized interest on the Bonds, and (iii) to pay the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING."

Optional Redemption . . . The Bonds maturing on March 1, 20__ and thereafter subject to optional redemption by the Authority in whole, or from time to time in part, on March 1, 20__ or any date thereafter at par plus accrued interest to the date of redemption. See "THE BONDS—Optional Redemption."

MATURITY SCHEDULE SHOWN ON THE INSIDE COVER

Legality . . . The Bonds are offered when, as and if issued by the Authority and accepted by the underwriters listed below (the "Underwriters"), subject to the approval of legality by the Attorney General of the State of Texas and Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriters by Andrews Kurth LLP, Houston, Texas, Counsel for the Underwriters. Certain legal matters will be passed upon for the Authority by Allen Boone Humphries Robinson LLP, Special Disclosure Counsel.

Delivery . . . It is expected that the Bonds will be available for delivery through DTC on August 22, 2012.

BOFA MERRILL LYNCH

CITIGROUP

ESTRADA HINOJOSA & COMPANY, INC.

LOOP CAPITAL MARKETS

RAYMOND JAMES | MORGAN KEEGAN

* Preliminary, subject to change.

MATURITY SCHEDULE

\$179,825,000*

**FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
(Fort Bend County, Texas)**

LIMITED CONTRACT TAX AND SUBORDINATE LIEN TOLL ROAD REVENUE BONDS, SERIES 2012

Due March 1	Principal Amount*	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP Number ⁽³⁾
2022 ⁽¹⁾	\$ 2,675,000	%	%	
2023 ⁽¹⁾	4,010,000			
2024 ⁽¹⁾	4,205,000			
2025 ⁽¹⁾	4,410,000			
2026 ⁽¹⁾	4,620,000			
2027 ⁽¹⁾	4,845,000			
2028 ⁽¹⁾	5,085,000			
2029 ⁽¹⁾	5,330,000			
2030 ⁽¹⁾	5,590,000			
2031 ⁽¹⁾	5,865,000			
2032 ⁽¹⁾	6,150,000			
2033 ⁽¹⁾	6,450,000			
2034 ⁽¹⁾	6,770,000			
2035 ⁽¹⁾	7,100,000			
2036 ⁽¹⁾	7,450,000			
2037 ⁽¹⁾	7,815,000			
2038 ⁽¹⁾	8,205,000			
2039 ⁽¹⁾	8,605,000			
2040 ⁽¹⁾	9,035,000			
2041 ⁽¹⁾	9,480,000			
2042 ⁽¹⁾	9,950,000			
2043 ⁽¹⁾	10,440,000			
2044 ⁽¹⁾	10,960,000			
2045 ⁽¹⁾	11,505,000			
2046 ⁽¹⁾	12,075,000			

\$ _____ . ____ % Term Bonds due March 1, 20__⁽¹⁾ - Priced to Yield ____ %⁽²⁾ - CUSIP _____⁽³⁾

(Interest accrues from Delivery Date)

* Preliminary; subject to change.

⁽¹⁾ The Authority reserves the right, at its option, to redeem the Bonds having stated maturities on and after March 1, 20__ in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—OPTIONAL REDEMPTION."

⁽²⁾ The initial reoffering prices or yields of the Bonds are furnished by the Underwriters (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time. Accrued interest from the Delivery Date of the Bonds is to be added to the price.

⁽³⁾ CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the Authority nor the Underwriters shall be responsible for the selection or accuracy of the CUSIP numbers set forth herein.

For purposes of compliance with Rule 15c2-12 of the SEC, as amended and in effect on the date of this Preliminary Official Statement, this document constitutes a Preliminary Official Statement of the Authority with respect to the Bonds that has been deemed “final” by the Authority as of its date, except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Underwriters or any other person. The information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete, and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Authority. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the Authority, its Financial Advisor, nor the Underwriters make any representations or warranties with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System.

TABLE OF CONTENTS

MATURITY SCHEDULE	i	PENSION FUND	24
REGISTRATION, SALE AND DISTRIBUTION	iv	OTHER POST-EMPLOYMENT BENEFITS	25
OFFICIAL STATEMENT SUMMARY	iv	COUNTY FINANCIAL INFORMATION	27
AUTHORITY OFFICIALS	vi	TABLE 13 – CHANGES IN NET ASSETS	27
BOARD OF DIRECTORS	vi	TABLE 13A – GENERAL FUND REVENUES AND	
COUNTY OFFICIALS	vi	EXPENDITURE HISTORY	28
ELECTED OFFICIALS	vi	FINANCIAL POLICIES	29
OTHER ELECTED AND APPOINTED OFFICIALS	vi	INVESTMENTS	30
CONSULTANTS	vi	LEGAL INVESTMENTS	30
MAP OF THE PROJECT	vii	INVESTMENT POLICIES	31
INTRODUCTION	1	ADDITIONAL PROVISIONS	31
PLAN OF FINANCING	1	TABLE 14 – CURRENT INVESTMENTS	31
PURPOSE OF THE BONDS	1	GENERAL	32
THE PROJECT	1	TRAFFIC AND REVENUE REPORT	32
SOURCES AND USES OF BOND PROCEEDS	2	THE GRAND PARKWAY SYSTEM	32
THE BONDS	2	OPERATING RISKS	33
GENERAL	2	PAYMENT OF DEBT SERVICE AND PROJECT EXPENSES	33
OPTIONAL REDEMPTION	2	COSTS OF CONSTRUCTION OF TOLL FACILITIES	33
MANDATORY SINKING FUND REDEMPTION	3	TOLL RATES	34
NOTICE OF REDEMPTION	3	ALTERNATIVE ROUTES	34
BOOK-ENTRY ONLY SYSTEM	4	MOTOR FUEL PRICES AND TAXES	34
TRUSTEE	6	MARKET DISRUPTIONS, RELIANCE ON CAPITAL MARKETS	
DEFEASANCE	6	AND MARKET TURMOIL	34
BONDHOLDERS’ REMEDIES	6	LIMITATION AND ENFORCEABILITY OF REMEDIES	35
SPECIAL RIGHTS OF BOND INSURERS AND CREDIT		FUTURE AND PROPOSED TAX LEGISLATION	35
PROVIDERS	6	FORWARD-LOOKING STATEMENTS	35
THE AUTHORITY	6	TAX MATTERS	36
THE COUNTY	7	TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE	
THE GRAND PARKWAY SYSTEM	7	DISCOUNT BONDS	37
GENERAL	7	CONTINUING DISCLOSURE INFORMATION	38
OPERATION AND MAINTENANCE OF THE SYSTEM	8	THE AUTHORITY	38
INITIAL AND FUTURE TOLL RATE ESCALATION		ANNUAL REPORTS	38
METHODOLOGY	8	NOTICE OF CERTAIN EVENTS	38
TOLL RATE SCHEDULE	8	AVAILABILITY OF INFORMATION	39
SECURITY AND SOURCE OF PAYMENT	8	LIMITATIONS AND AMENDMENTS	39
THE INDENTURE AND THE BONDS	8	COMPLIANCE WITH PRIOR UNDERTAKINGS	39
GENERAL	9	THE COUNTY	39
CONTRACT WITH THE COUNTY	9	OTHER INFORMATION	41
SUBORDINATED PLEDGE OF NET REVENUES	10	RATINGS	41
TOLL COVENANT	10	LITIGATION	41
MAINTENANCE TAX COVENANT	10	REGISTRATION AND QUALIFICATION OF BONDS FOR SALE	42
FLOW OF FUNDS	10	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC	
ADDITIONAL BONDS	11	FUNDS IN TEXAS	42
FLOW OF FUNDS CHART	12	LEGAL MATTERS	42
TOLL ROAD FINANCIAL INFORMATION	13	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
PRO-FORMA DEBT SERVICE REQUIREMENTS*	13	INFORMATION	42
COUNTY TAX INFORMATION	14	FINANCIAL ADVISOR	43
AD VALOREM TAX LAW	14	UNDERWRITING	43
EFFECTIVE TAX RATE AND ROLLBACK TAX RATE	15	FORWARD-LOOKING STATEMENTS	43
PROPERTY ASSESSMENT AND TAX PAYMENT	15	MISCELLANEOUS	44
PENALTIES AND INTEREST	16	CERTIFICATION OF THE OFFICIAL STATEMENT	44
COUNTY APPLICATION OF TAX CODE	16		
TAX ABATEMENT POLICY	16		
TAX INCREMENT REINVESTMENT ZONE	17		
TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL		APPENDIX A – TRAFFIC AND REVENUE STUDY	
OBLIGATION DEBT	17	APPENDIX B – CASH FLOW PROJECTIONS	
TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY	18	APPENDIX C – EXCERPTS FROM THE COUNTY’S	
TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT		COMPREHENSIVE ANNUAL FINANCIAL REPORT	
HISTORY	19	FOR FISCAL YEAR ENDED SEPTEMBER 30, 2011	
TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY	19	APPENDIX D – EXCERPTS FROM THE AUTHORITY’S	
TABLE 5 – TAX RATE DISTRIBUTION ANALYSIS	19	FINANCIAL REPORT FOR FISCAL YEAR ENDED	
TABLE 6 – TEN LARGEST TAXPAYERS	20	SEPTEMBER 30, 2011	
GENERAL OBLIGATION DEBT TAX RATE LIMITATION	20	APPENDIX E – GLOSSARY OF TERMS	
TABLE 7 – TAX ADEQUACY	21	APPENDIX F – SUMMARY OF THE INDENTURE	
TABLE 8 – ESTIMATED CONSOLIDATED OVERLAPPING DEBT	22	APPENDIX G – OPINION OF BOND COUNSEL	
COUNTY DEBT INFORMATION	23		
TABLE 9 – PRO-FORMA GENERAL OBLIGATION DEBT			
SERVICE REQUIREMENTS	23		
TABLE 10 – INTEREST AND SINKING FUND BUDGET			
PROJECTION	24		
TABLE 11 – AUTHORIZED BUT UNISSUED BONDS	24		
ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT	24		
TABLE 12 – OTHER OBLIGATIONS	24		

REGISTRATION, SALE AND DISTRIBUTION

The Bonds have not been registered under the Federal Securities Act of 1933, as amended (in reliance upon an exemption therefrom), or the blue sky laws of any jurisdiction. The Indenture (as defined herein) has been qualified under the Federal Trust Indenture Act of 1939, as amended (in reliance upon an exemption therefrom).

OFFICIAL STATEMENT SUMMARY

This Official Statement Summary, being part of the Official Statement, is subject in all respects to the more complete information contained therein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Summary Statement from the Official Statement or otherwise to use same without the entire Official Statement.

The Authority	The Fort Bend Grand Parkway Toll Road Authority (the "Authority"), a local government corporation established and operating pursuant to Chapters 284 and 431, Texas Transportation Code, as amended, was established by Fort Bend County, Texas (the "County") to aid, assist and act on behalf of the County in the development of the portion of the Grand Parkway System located within the County (the "Fort Bend Grand Parkway"). See "INTRODUCTION – DESCRIPTION OF THE AUTHORITY."
The County	Fort Bend County (the "County") is a political subdivision of the State of Texas, located in southeast Texas. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.
The Grand Parkway System.....	A planned system of controlled access toll lanes ranging from two to six lanes wide and over 180 miles long traversing seven counties and encircling the Greater Houston Region. The system is identified by reference to 11 segments (Segments A – I-2). Segments C and D are each primarily located within Fort Bend County.
The Fort Bend Grand Parkway	Consists of the portion of the Grand Parkway System located in the County.
The Project.....	Consists of the construction of the tolled overpasses on the Fort Bend Grand Parkway and the reconstruction of the existing roadway between U.S. Highway 59 to and including the intersection at Farm to Market Road 1093 (the "Westpark Tollway"). The remainder of Segment D of the Fort Bend Grand Parkway from the Westpark Tollway to Interstate 10 will not be tolled and is not being financed with proceeds of the Bonds. See "MAP OF THE PROJECT" and Figure 1-2 in the "TRAFFIC AND REVENUE STUDY" attached as APPENDIX A.
The Bonds.....	\$179,825,000* Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012 (the "Bonds"). The Bonds are dated August 1, 2012, and are being issued in the principal amounts and will mature on the dates set forth on the inside cover page hereof. The Bonds bear interest from the Delivery Date, at the rates per annum set forth on the inside cover page hereof, which interest is payable March 1, 2013, and each March 1 and September 1 thereafter until the earlier of maturity or redemption of the Bonds.
Optional Redemption.....	The Bonds maturing on March 1, 20__ and thereafter are subject to optional redemption in whole or, from time to time, in part, on March 1, 20__ or any date thereafter at par plus accrued interest to the date of redemption. See "THE BONDS—OPTIONAL REDEMPTION."
Payment Record.....	The Bonds are the first series of bonds issued by the Authority. The Authority will capitalize 36 months of interest from proceeds of the Bonds.
Ratings.....	The Bonds have been assigned ratings of "___" by Moody's Investors Service Inc. ("Moody's") and "AA+" by Fitch Ratings ("Fitch"). See "OTHER INFORMATION - RATINGS" herein.
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 284 and 431, Texas Transportation Code, Chapter 1201, Texas Government Code, the Bond Order and the Indenture.

Source of Payment for the Bonds The Bonds are direct obligations of the Authority, payable from an unconditional obligation of the County to make contract payments pursuant to the Joint Project Agreement between the County and the Authority, from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the Indenture, together with a subordinate lien pledge of Net Revenues of the Fort Bend Grand Parkway (as defined in the Indenture). See “SECURITY AND SOURCE OF PAYMENT.” The Bonds and any additional limited contract tax and subordinate lien toll road revenue bonds issued pursuant to the Master Indenture are collectively referred to herein as the “Subordinate Lien Bonds.”

Purpose of the Bonds Proceeds from the sale of the Bonds will be used (i) to finance the design, construction, equipment and other miscellaneous costs of the Project (as defined herein), (ii) to pay 36 months of capitalized interest on the Bonds, and (iii) to pay the costs associated with the issuance of the Bonds. See “PLAN OF FINANCING.”

Trustee The initial Trustee is Wells Fargo Bank, N.A.

Tax Exemption In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative tax consequences for corporations. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.

Book-Entry Only System..... The Bonds are initially issuable only to Cede & Co., the nominee of DTC, pursuant to a book-entry only system. No physical delivery of Bonds will be made to beneficial owners. See “THE BONDS—BOOK-ENTRY-ONLY SYSTEM.”

AUTHORITY OFFICIALS

BOARD OF DIRECTORS

<u>Board of Directors</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires June 15</u>
Jim Condrey	Chairman	1.5 Years	2014
Bobbie A. Tallas	Vice Chairman	1.5 Years	2014
Charles Rencher	Secretary	1.5 Years	2014
Cliff Terrell	Treasurer	1.5 Years	2014
Melody Hess	Assistant Secretary	1.5 Years	2014

COUNTY OFFICIALS

ELECTED OFFICIALS

<u>Commissioners Court</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires December 31</u>
Robert Hebert	County Judge	10 Years	2014
Richard Morrison	Commissioner - Precinct 1	4 Years	2012
Grady Prestage	Commissioner - Precinct 2	22 Years	2014
Andy Meyers	Commissioner - Precinct 3	16 Years	2012
James Patterson	Commissioner - Precinct 4	14 Years	2014

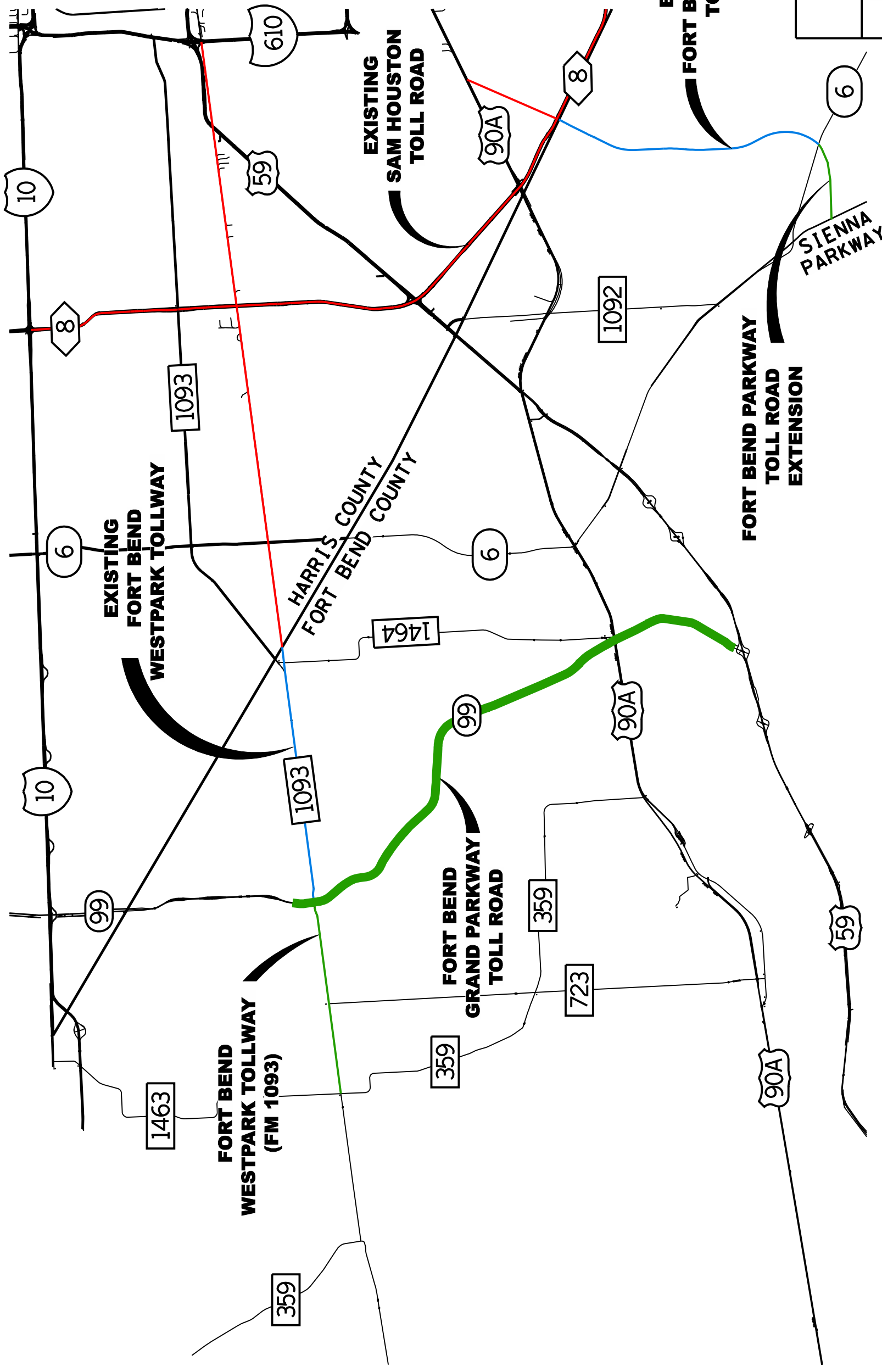
OTHER ELECTED AND APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service to County</u>
Ed Sturdivant	County Auditor	10 Years
Jeff Council	County Treasurer	6 Years
Patsy Schultz	Tax Assessor/Collector	8 Years
Roy Cordes, Jr.	County Attorney	6 Years

CONSULTANTS

General Counsel, Bond Counsel and Special Disclosure Counsel	Allen Boone Humphries Robinson LLP
Financial Advisor	First Southwest Company
Transportation Consultant	WJ Interests, LLC
General Engineering Consultants	Brown & Gay Engineers, Inc.
Construction Manager	Mike Stone Associates, Inc.
Traffic and Revenue Consultant	CDM Smith Inc.

MAP OF THE PROJECT




- LEGEND**
- FORT BEND COUNTY PROPOSED
 - FORT BEND COUNTY EXISTING
 - HARRIS COUNTY EXISTING


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FORT BEND GRAND PARKWAY TOLL ROAD


MAP OF THE PROJECT



SCALE IN FEET
800 1600



6/28/2012



BROWN & GAY
ENGINEERS, INC.

Houston • Fort Worth • Austin • Tyler • Frisco

OFFICIAL STATEMENT

\$179,825,000*

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY (Fort Bend County, Texas) LIMITED CONTRACT TAX AND SUBORDINATE LIEN TOLL ROAD REVENUE BONDS, SERIES 2012

INTRODUCTION

This Official Statement is furnished in connection with the offering by Fort Bend Grand Parkway Toll Road Authority (the "Authority") of its \$179,825,000* Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 284 and 431, Texas Transportation Code, as amended, Chapter 1201, Texas Government Code, a Master Trust Indenture (the "Master Indenture") between the Authority and Wells Fargo Bank, N.A. (the "Trustee") dated July 1, 2012, and a First Supplemental Trust Indenture (the "Supplemental Indenture") between the Authority and the Trustee dated July 1, 2012. The Master Indenture and the Supplemental Indenture are collectively referred to as the "Indenture." All capitalized terms used herein, but not otherwise defined herein, shall have the meanings provided in the Indenture.

The audited general purpose financial statements of Fort Bend County, Texas (the "County") and the Authority for the fiscal year ended September 30, 2011, which are included in APPENDICES C and D, respectively, present information on the general financial condition of the County and the Authority as of the date and for the period shown. As used herein, the term "Fiscal Year," unless otherwise indicated, means the County's and the Authority's fiscal year, which currently is the twelve-month period beginning on October 1 of a calendar year and ending on the last day of September of the next succeeding calendar year, and each such period may be designated with the number of the calendar year in which such period ends.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized.

PLAN OF FINANCING

PURPOSE OF THE BONDS

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 284 and 431, Texas Transportation Code, as amended, Chapter 1201, Texas Government Code, the Bond Order, and the Indenture for the following purposes: (i) to finance the design, construction, equipment and other miscellaneous costs of the Project, (ii) to pay 36 months of capitalized interest, and (iii) to pay the costs associated with the issuance of the Bonds.

THE PROJECT

The Project consists of the construction of the tolled overpasses on the Fort Bend Grand Parkway and the reconstruction of the existing roadway from U.S. Highway 59 to and including the intersection at Farm to Market Road 1093 (the "Westpark Tollway"). The remainder of the Fort Bend Grand Parkway from the Westpark Tollway to Interstate 10 will not be tolled and is not being financed with proceeds of the Bonds. See "MAP OF THE PROJECT" and Figure 1-2 in the "TRAFFIC AND REVENUE STUDY" attached as APPENDIX A.

SOURCES AND USES OF BOND PROCEEDS

Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources:

Par Amount of the Bonds	\$	
Accrued Interest		
Net Premium		
Total	\$	-

Uses:

Deposit to Construction Fund	\$	
Capitalized Interest		
Costs of Issuance		
Underwriter's Discount		
Total	\$	-

THE BONDS

GENERAL

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Indenture. Certain terms not defined elsewhere in this Official Statement are defined in the Indenture.

Interest on the Bonds will accrue from the Delivery Date, and will be payable on March 1 and September 1 of each year, commencing March 1, 2013. The Bonds will mature on the dates and in the amounts as provided on the inside cover page of this Official Statement. Principal of and interest on the Bonds will be payable by the Trustee to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “- BOOK-ENTRY-ONLY SYSTEM” herein for a complete discussion of DTC and Cede & Co.

In the event of a nonpayment of interest on the Bonds on a scheduled payment date and for 30 days thereafter, a new record date (the “Special Record Date”) for such interest payment will be established by the Trustee, if and when funds for the payment of such interest have been received from or on behalf of the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

OPTIONAL REDEMPTION

The Authority reserves the right, at its option, to redeem the Bonds maturing on March 1, 20__ and thereafter in whole, or from time to time in part, on March 1, 20__ or any date thereafter at par plus accrued interest to the date of redemption. Upon redemption, the Bonds will be payable at a price equal to the principal amount of Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption.

Bonds may be redeemed only in integral multiples of \$5,000. If a Bond is subject to redemption and is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. If less than all of the Bonds are redeemed within a stated maturity at any time, the Authority shall select the particular Bonds or portions thereof to be redeemed.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing in the year ____ (the "Term Bonds") are subject to mandatory redemption prior to maturity on March 1 in each of the years and respective principal amounts set forth below, in each case at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption:

\$ _____ Term Bonds	
Due March 1, ____	
_____ Year	_____ Amount

On or before January 15 of every year in which there are mandatory redemption requirements as defined above for Term Bonds, the Trustee shall (i) determine the principal amount of Term Bonds of the particular maturity that must be mandatorily redeemed on March 1 of such year, after taking into account deliveries for cancellation and optional redemptions of Term Bonds of such maturity as more fully provided below, (ii) select by lot or other customary random method the Term Bonds of such maturity (or portions thereof) to be mandatorily redeemed on January 10 of such year and (iii) give notice thereof in the manner described below. The mandatory redemption requirements stated above for the Term Bonds shall be reduced by the principal amount of any Term Bonds of such maturity purchased and delivered or tendered to the Trustee for cancellation by March 1 of such year. In addition, if in the exercise of its right of optional redemption contained in the Bond Order, the Authority shall redeem less than all of the Term Bonds of a particular maturity then outstanding, the mandatory redemption requirements in any year for the Term Bonds of such maturity shall, at the option of the Authority, be reduced by the principal amount of such Term Bonds optionally redeemed and which has not previously been the basis for a credit against the mandatory redemption requirements for the Term Bonds.

NOTICE OF REDEMPTION

In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of the Bonds, to be so redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

Any Bonds and portions of Bonds which have been duly selected for redemption and which are paid in accordance with the Indenture shall cease to bear interest on the specified redemption date.

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the Financial Advisor believe the source of such information to be reliable, but neither of the Authority or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, printed certificates for the Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority, the Financial Advisor, or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

TRUSTEE

The Trustee shall be Wells Fargo Bank, N.A. At all times while any Bonds are outstanding, the Authority will provide a legally qualified bank, trust company, financial institution or other duly qualified and legally authorized entity to act as Trustee for the Bonds. The Authority reserves the right to change the Trustee for the Bonds. Promptly upon the appointment of any successor Trustee, the previous Trustee shall deliver the Register or a copy thereof to the new Trustee, and the new Trustee shall notify each registered owner of Bonds by United States mail, first-class postage prepaid, of the effective date of such change and of the address of the new Trustee.

DEFEASANCE

The Authority reserves the right to defease the Bonds in any manner now or hereafter permitted by law.

BONDHOLDERS' REMEDIES

The Indenture establishes various specific events of default with respect to the Bonds and permits the Trustee to take certain actions upon the occurrence of any of these events of default. The Trustee may and, upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding, shall: (a) by mandamus or other suit, action or proceeding at law or in equity require the Authority to perform its covenants, representations and duties under the Indenture; (b) bring suit upon the Bonds; (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (e) take such other steps to protect and enforce its rights and the rights of the Owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy.

SPECIAL RIGHTS OF BOND INSURERS AND CREDIT PROVIDERS

The Indenture provides that any Supplemental Indenture may provide that issuers of municipal bond insurance, letters of credit or other instruments which guaranty the payment of principal of and interest on any Subordinate Lien Bonds or Parity Obligations may exercise the rights of the Owners thereof, including to direct the exercise of any remedies in the event of default or to consent to any future amendments to the Indenture, except with respect to any change in the terms of redemption, maturity of principal amount of such Subordinate Lien Bonds or Parity Obligations or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon.

THE AUTHORITY

The Authority was created by order of the County on June 15, 2010, to aid, assist and act on behalf of the County in the development of the County's portion of the Grand Parkway System (the "Fort Bend Grand Parkway"). The Authority is a local government corporation established and operating under Chapters 284 and 431, Texas Transportation Code, as amended.

The Authority is governed by a five-member Board of Directors, each of whom is appointed by the County's Commissioners Court. The Authority may exercise, with regard to the Fort Bend Grand Parkway, the same power and authority as may be exercised by the Commissioners Court pursuant to Chapter 284, Texas Transportation Code. Such powers include eminent domain. The Authority's Articles of Incorporation and Bylaws provide that the Commissioners Court must approve all significant decisions of the Authority. The Authority currently has no staff or employees and does not anticipate hiring any employees in the foreseeable future. The Authority contracts with professional consultants for services needed.

The Authority is responsible for development of the Fort Bend Grand Parkway, including designing, bidding and letting of contracts for the construction of the Fort Bend Grand Parkway. Construction of the Project has commenced and is expected to be completed in 2014.

THE COUNTY

The County was organized in 1838 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms. Other County elected officers include the County Clerk, County Attorney, County Tax Assessor/Collector and County Treasurer. The County Auditor is appointed for a term of two years by, and serves at the will of, the State District Judges whose courts are located in the County. The 2010 Census population of the County is 585,375, an increase of 65% over the 2000 Census population of 354,452. The County covers approximately 886 square miles. The City of Richmond is the County Seat.

THE GRAND PARKWAY SYSTEM

GENERAL

The Grand Parkway System is a planned system of controlled access toll lanes ranging from two to six lanes wide and 180 plus miles long traversing seven counties and encircling the Greater Houston Region. The system is identified by reference to 11 segments (Segments A – I-2). Segments C and D are each primarily located within Fort Bend County.

The Texas Department of Transportation (“TxDOT”), in cooperation with the County, constructed a combination of main lanes and frontage roads for Segment D of the Grand Parkway from U.S. Highway 59 South to Interstate 10 West (also known as State Highway 99 (“SH99”), in the early 1990s. The current roadway includes 9 at-grade signalized intersections.

In 2007, during the 80th Texas Legislature, Senate Bill 792 was signed into law giving counties the first option to develop the Grand Parkway within their respective boundaries. Under the law, a county must begin construction of its segment of the project within a two-year period after exercising its option to develop such segment, subject to litigation challenges and environmental impact clearance, otherwise its right to develop the project reverts back to the TxDOT. In September 2009, Fort Bend County Commissioners Court exercised its option to manage the financing, designing, construction, operating and tolling the Grand Parkway within Fort Bend County.

In May of 2011, the Authority executed a Right of Use Agreement with TxDOT, allowing the Authority to use state highway right-of-way and to begin construction of the nine new tolled overpasses and eight miles of main-lane reconstruction that are the initial phases of Segment D of the Fort Bend Grand Parkway. The remainder of Segment D of the Fort Bend Grand Parkway from the Westpark Tollway to Interstate 10 will not be tolled and is not being financed with proceeds of the Bonds. See “MAP OF THE PROJECT” and Figure 1-2 in the “TRAFFIC AND REVENUE STUDY” attached as APPENDIX A. Construction of the first two overpasses began in August of 2011, with construction of additional overpasses and main lanes anticipated to begin in the 3rd Quarter of 2012. The Project is expected to be completed and open for traffic in 2014.

Segment D of the Grand Parkway will reduce travel time by providing tolled overpasses at the existing signalized intersections. Toll free access along SH99 using the existing at-grade intersections will remain open and available as an alternative to the toll lanes.

Pursuant to state law, the County, TxDOT, the Houston-Galveston Area Council (the metropolitan planning organization for the region) and the other six counties through which the Grand Parkway is planned, established the “SH99 Grand Parkway Toll Project Market Valuation Terms and Conditions” dated September 29, 2008 (the “Terms and Conditions”). TxDOT and the counties entered into a Market Valuation Waiver Agreement dated as of March 25, 2009 (the “Market Valuation Waiver Agreement”). The Terms and Conditions were included as an exhibit to the Market Valuation Waiver Agreement and define the scope and phasing of the 11 segments of the Grand Parkway, establish the initial toll rates on the Grand Parkway and establish a toll rate calculation methodology that includes a mechanism for periodic adjustment to toll rates (see “-INITIAL AND FUTURE TOLL RATE ESCALATION METHODOLOGY” below). The Market Valuation Waiver Agreement requires that the Grand Parkway be developed as a single project, separate from the counties’ other toll roads or toll road projects. As a result, debt issued for the Grand Parkway and revenues derived from the Grand Parkway will be separate from debt and revenues of the Fort Bend Parkway and the Westpark Tollway. **Holders of the Bonds will have no right to revenues of the Fort Bend Parkway or the Westpark Tollway, and such revenues are not pledged to the Bonds and are not part of the Trust Estate.**

OPERATION AND MAINTENANCE OF THE SYSTEM

The Authority will toll, operate and maintain Segment D of the Fort Bend Grand Parkway from U.S. 59 to and including the interchange at the Westpark Tollway. The Authority is in the process of entering into contracts with outside vendors for all roadway and equipment maintenance, incident management and toll collection. In addition, the Authority is in the process of receiving proposals for a tolling system to be installed at the seven tolling locations.

The tolling system will be an all-electronic tag system that will be able to process transactions from customers by their EZ-TAG accounts with Harris County Toll Road Authority, or any other electronic toll tag issued by other tolling entities in the State. Violations will be processed utilizing an outside vendor in the same manner as violations on the existing Fort Bend County Toll Road System. These contracts will need to be finalized before the tolling operation commences.

The Authority conducted an analysis of all existing pavement along SH99 from US59 to FM1093 to determine its current condition and to allow planning and budgeting for the future repair or rehabilitation of the existing facilities.

INITIAL AND FUTURE TOLL RATE ESCALATION METHODOLOGY

Initial Toll Rates...The Terms and Conditions mandate that the initial toll rates on any segment of the Grand Parkway System will not exceed the average rate per mile for electronic toll transactions for the Harris County Toll Road System, as of the date of opening of that segment. The initial toll rate cannot be less than that rate as of September 1, 2008.

Toll Rate Escalation Methodology...The Terms and Conditions also mandate that toll rates be increased based on the then current Harris County tolling policy, but not less than the annual adjustment as follows: equal to the greater of (a) 2%, or (b) the Consumer Price Index All Urban Consumers (CPI-U) Houston-Galveston-Brazoria, as published by the Bureau of Labor Statistics for the month of August. On August 23, 2011, the Commissioners Court of the County established a toll rate setting policy (the "Toll Policy") for future toll rate adjustments on the Authority's toll facilities consistent with the Terms and Conditions. The policy provides that electronic tolling ("EZ-Tag") rates will be rounded to the nearest nickel.

TOLL RATE SCHEDULE

The following table sets forth the current toll rate schedule for the Project.

<u>Mainlane Plazas</u>		<u>Toll</u>
2 axle	Class 2	\$ 0.35
3 axle	Class 3	0.50
4 axle	Class 4	0.80
5 axle	Class 5	1.05
6 axle	Class 6	1.30

Source: The Authority.

SECURITY AND SOURCE OF PAYMENT

THE INDENTURE AND THE BONDS

The Bonds are issued pursuant to a Master Trust Indenture (the "Master Indenture") between the Authority and the Trustee dated July 1, 2012 and a First Supplemental Trust Indenture (the "Supplemental Indenture") between the Authority and the Trustee dated as of July 1, 2012. The Master Indenture and the Supplemental Indenture are collectively referred to herein as the "Indenture." The Indenture establishes, among other things, the Flow of Funds and the conditions for issuing Additional Bonds and contains the necessary and appropriate covenants related thereto. Selected provisions of the Master Indenture and the Supplemental Indenture are contained in APPENDIX F. For a complete copy of the Master Indenture or the Supplemental Indenture, contact Bond Counsel, Allen Boone Humphries Robinson LLP, Attn: Richard Muller, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

In the Indenture, the Authority reserves the right, without the consent of the Trustee or the Owners of the Subordinate Lien Bonds, to issue unlimited amounts of Senior Indebtedness which may be secured by a pledge or lien on Net Revenues and other assets of the Authority prior to the pledge and lien of the Trust Estate (as defined herein) securing the Subordinate Lien Bonds.

GENERAL

The Subordinate Lien Bonds are secured, pursuant to the Indenture, by a pledge of and lien on all of the Authority's right, title and interest in and to the following (collectively, the "Trust Estate"): (i) the County's unconditional contractual obligation to pay the Authority from annual ad valorem taxes levied by the County, the principal of and interest on the Subordinate Lien Bonds to the extent toll revenues and other available funds are insufficient to meet the debt service on the Subordinate Lien Bonds; (ii) the money deposited or required to be deposited pursuant to the Indenture in the Tax Fund, the Reserve Fund and the Subordinate Lien Debt Service Fund and all investments thereof, except for certain interest income which may be pledged to Senior Indebtedness; (iii) the Net Revenues of the Fort Bend Grand Parkway (as such term is defined in the Indenture), subject and subordinate to any lien or pledge granted to secure Senior Indebtedness; (iv) all right, title and interest of the Authority now owned or hereafter acquired in and to moneys deposited or required to be deposited with the Trustee and to the Investment Securities held by the Trustee pursuant to the Indenture; and (v) any and all other property hereafter assigned, hypothecated, endorsed, pledged, granted, or delivered to or deposited with the Trustee to secure the Subordinate Lien Bonds, subject and subordinate to any lien or pledge heretofore or hereafter granted to secure Senior Indebtedness. Selected provisions of the Master Indenture and Supplemental Indenture are included in APPENDIX F.

The Authority reasonably anticipates that the Fort Bend Grand Parkway will generate Net Revenues in an amount sufficient to pay the debt service on the Subordinate Lien Bonds. In addition, payment of principal and interest on the Subordinate Lien Bonds is secured by a contract (the "Joint Project Agreement") with the County pursuant to which the County has agreed to levy an annual ad valorem tax, within the limits prescribed by law, for the purpose of payment of the principal of and interest on the Bonds, to the extent toll revenues and other available funds are insufficient to meet debt service on the Subordinate Lien Bonds. Concurrently with the County's approval of the Joint Project Agreement with the Authority, the County levied a tax necessary for the payment of its contractual obligations. This ad valorem tax is constitutionally limited to \$0.80 per \$100 of assessed value in the County.

Based upon the Traffic and Revenue Study prepared by Wilbur Smith Associates (now CDM Smith Inc.), the Authority reasonably anticipates that the Fort Bend Grand Parkway will generate Net Revenues in an amount sufficient to pay the debt service on the Bonds. A copy of the Traffic and Revenue Study for the Fort Bend Grand Parkway is attached hereto as APPENDIX A. However, payment of principal and interest on the Bonds is secured by contract payments from the County, to the extent toll revenues and other available funds are insufficient to meet debt service on the Bonds. Furthermore, the Authority has provided cash flow projections, attached as APPENDIX B, which are included for illustration purposes only, which show projected toll revenues, estimated operating and debt service expenses, and coverage calculations given certain changes in the assumptions of the Traffic and Revenue Study.

The County's audited general purpose financial statements for the fiscal year ended September 30, 2011, which are included in APPENDIX C and the Authority's audited general purpose financial statements for the fiscal year ended September 30, 2011, which are included in APPENDIX D, present information about the general financial condition of the County and the Authority, respectively, as of the date and for the period shown. As used herein, the term "Fiscal Year," unless otherwise indicated, means the County's fiscal year which currently is the twelve-month period beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year, and each such period may be designated with the number of the calendar year in which such period ends.

CONTRACT WITH THE COUNTY

The County and the Authority entered into the Joint Project Agreement to provide for the construction of the Grand Parkway, Segment D. The Joint Project Agreement is dated as of July 24, 2012. The Joint Project Agreement is authorized pursuant to Texas Government Code, Section 791.028(d).

Pursuant to the Joint Project Agreement, the Authority will develop, finance, operate and maintain the Project. The County agrees to make payments to the Authority, calculated annually, and equal to the debt service on the Bonds less the estimated amount of available Net Revenues to pay debt service on the Bonds. The County's obligation to make these annual payments is unconditional and not subject to set-off, suspension, cancellation, or counterclaim.

The Joint Project Agreement provides that the Authority will reimburse any payments made by the County, with interest, if and only to the extent the Revenues of the Fort Bend Grand Parkway exceed the costs of debt service and operating and maintenance of the Fort Bend Grand Parkway for two consecutive fiscal years. The Authority may transfer the Project to the County when such transfer is permitted under the agreement with TxDOT and the County. With any such transfer, the County would be required to assume the obligations of the Bonds.

The Authority has covenanted in the Indenture not to amend the Joint Project Agreement in any way that would materially impair its ability to pay the Bonds and has covenanted to keep the agreement in full force and effect so long as the Bonds remain outstanding.

SUBORDINATED PLEDGE OF NET REVENUES

The Bonds are further secured by and payable from Net Revenues of the Fort Bend Grand Parkway, subject and subordinate to any senior pledge or lien granted to secure Senior Indebtedness. The term “Net Revenues” as defined in the Indenture means all revenues derived from the ownership and operation of the Fort Bend Grand Parkway which constitute revenues in accordance with generally accepted accounting principles (including any amounts derived from the ownership or operation of any project or projects with which the Project may be pooled) (“Revenues”) less the sum of (i) “Operation and Maintenance Expenses,” which are defined in the Indenture to include the costs of maintenance, repair, tolling costs, operation and administration of the Fort Bend Grand Parkway and (ii) the aggregate of principal and interest payments made, or to be made, on Senior Indebtedness during the period for which Net Revenues are computed or such other amount as may be defined as “Net Revenues” in any Supplemental Indenture.

TOLL COVENANT

In the Indenture, the Authority has covenanted to adopt and keep in effect for so long as the Bonds and any Additional Bonds are outstanding a plan for toll collecting facilities and a schedule of rates of tolls which will generate during each fiscal year an amount of Net Revenues which, together with all amounts in the Subordinate Lien Debt Service Fund as of the last day of the preceding fiscal year, will at least equal 100% of the amounts required to pay the principal of and interest on the Subordinate Lien Bonds (including the Bonds) in such fiscal year, subject to the toll rate setting escalation methodology established by the Term and Conditions. See “THE GRAND PARKWAY SYSTEM – GENERAL.”

MAINTENANCE TAX COVENANT

So long as any Bonds or additional bonds are outstanding, the County shall in each year levy, assess, and collect an annual tax on all taxable property within the County fully sufficient in each year (taking into account delinquencies and costs of collection) to produce revenues which shall be sufficient to (i) pay as they become due all Project Expenses for which there are insufficient available Revenues or (ii) produce revenues for the Project equal to the amounts budgeted for such purpose in such year by the County, whichever is greater. **Any such revenues are not part of the Trust Estate and may not be applied to the payment of Debt Service on the Bonds or any Additional Bonds.**

FLOW OF FUNDS

The Indenture provides for the maintenance of the following funds:

<u>Name of Fund</u>	<u>Held by</u>
Construction Fund	Authority
Revenue Fund	Authority
Tax Fund	Authority
Subordinate Lien Debt Service Fund	Trustee
Renewal & Replacement Fund	Authority
County Reimbursement Fund	Authority
Grand Parkway System Improvement Fund	Authority

The Authority is required to deposit all Revenues into the Revenue Fund and apply them as follows: (i) first, to make all payments, deposits, and transfers required by the Indenture and any other instrument creating or evidencing Senior Indebtedness payable as a first charge on Revenues; (ii) second, to pay Operating and Maintenance Expenses; (iii) third, to establish and maintain an Operating and Maintenance Reserve within the Revenue Fund equal to three months' Operating and Maintenance Expenses; (iv) fourth, to pay any Senior Indebtedness not a first charge on the Revenues; (v) fifth, to make transfers to the Subordinate Lien Debt Service Fund as required by the Indenture; (vi) sixth, to establish and fund any amounts required to be deposited or paid by any indenture, resolution or order evidencing Junior Lien Bonds; (vii) seventh, to establish and fund any renewal and replacement requirement established by a Supplemental Indenture or indenture evidencing Senior Indebtedness; (viii) eighth, subject to certain limitations in the Indenture, to transfer to the County Reimbursement Fund amounts from time to time sufficient to reimburse the county in an aggregate amount equal to all funds previously paid by the County pursuant to the Joint Project Agreement; and (ix) ninth, the balance, if any, shall be transferred to the Grand Parkway System Improvement Fund.

Subordinate Lien Debt Service Fund. On or before the last day of each month, after making all payments in connection with Senior Indebtedness, payment of Operating and Maintenance Expenses and any payments to establish the Operating and Maintenance Reserve, remaining money in the Revenue Fund shall be transferred into the Subordinate Lien Debt Service Fund in approximately equal monthly installments sufficient to accumulate the amounts required to pay all current interest and to pay principal installments on Toll Road Tax Bonds, including the Bonds, issued under the Indenture, as the same become due and payable.

To the extent that money is not available in the Revenue Fund to make such required transfers into the Subordinate Lien Debt Service Fund, withdrawals shall be made from the Tax Fund, the Grand Parkway System Improvement Fund, the County Reimbursement Fund or the Construction Fund, at the Authority's discretion, to the extent necessary to provide for such transfer to the Subordinate Lien Debt Service Fund, in the event such transfers are insufficient.

Tax Fund. In determining the rate at which taxes should be levied each year, the Commissioners Court may consider amounts on deposit in the Subordinate Lien Debt Service Fund and the availability of Net Revenues or other moneys available from other sources which are available to pay the principal or Redemption Price of or interest on the Toll Road Tax Bonds, including the Bonds. If the Commissioners Court reasonably determines that adequate moneys from such Net Revenues or other sources are available or will be available to pay principal of, Redemption Price of and interest on the Toll Road Tax Bonds, including the Bonds, the Commissioners Court may elect not to assess and collect a tax that year.

If the County has made contract payments under the Joint Project Agreement to pay the principal on, Redemption Price of or interest on the Toll Road Tax Bonds, the Authority is required to transfer from amounts on deposit in the Tax Fund to the Subordinate Lien Debt Service Fund such amount as shall be required to enable all payments of interest, principal and any redemption price on the Toll Road Tax Bonds to be made from the Subordinate Lien Debt Service Fund when due and payable. Money in the Tax Fund shall be used solely to pay the principal or redemption price of and interest on the Toll Road Tax Bonds.

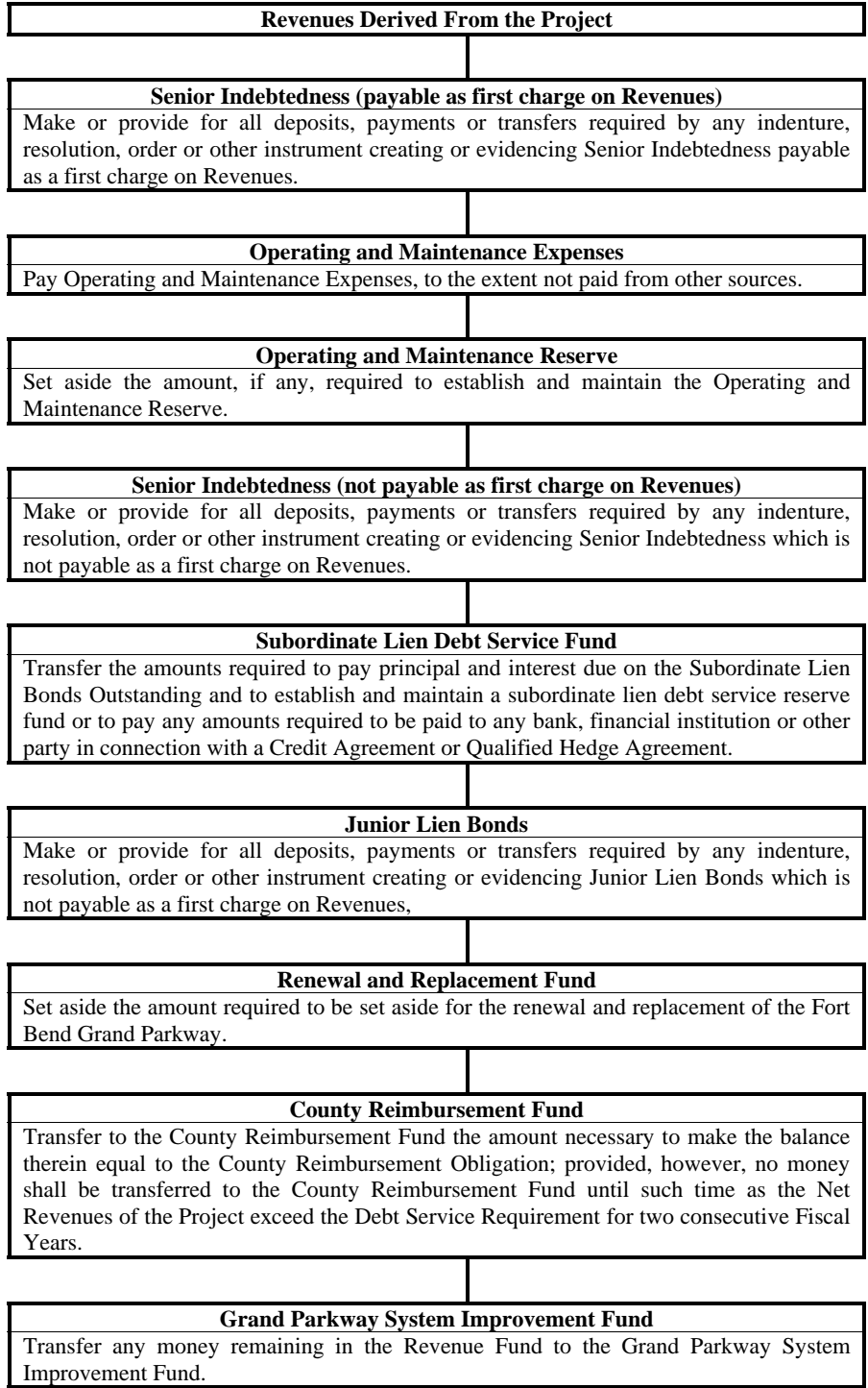
County Reimbursement Fund. On the last business day of the Fiscal Year, there shall be transferred to the County all amounts deposited in the County Reimbursement Fund.

Grand Parkway System Improvement Fund. Moneys held in the Grand Parkway System Improvement Fund may be used: (i) for the purpose of paying the cost of repairs, enlargements, resurfacing, additions, renewals, improvements, reconstruction and replacements, capital expenditures, engineering and other expenses relating to the powers or functions of the Authority in connection with the Fort Bend Grand Parkway (as defined in the Indenture), (ii) to pay debt service on the Toll Road Tax Bonds or Senior Indebtedness, and (iii) for capital costs of any projects now or hereafter included in the Fort Bend Grand Parkway and thereafter for capital costs of any other segments of the Grand Parkway System as required by the Market Valuation Waiver Agreement. Funds on deposit in the Grand Parkway System Improvement Fund may not be used for any other purpose.

ADDITIONAL BONDS

The Indenture places no limitation upon the issuance of Senior Indebtedness, nor does it place any limitation upon the issuance of additional Toll Road Tax Bonds under the Indenture. All Subordinate Lien Bonds from time to time issued under the Indenture shall be entitled to an equal and ratable interest in the Trust Estate, including all funds in the accounts established pursuant to the Indenture.

FLOW OF FUNDS CHART



TOLL ROAD FINANCIAL INFORMATION

PRO-FORMA DEBT SERVICE REQUIREMENTS*

Fiscal Year September 30	Principal	Interest ⁽¹⁾	Total Debt Service
2013	\$ 0	\$ 9,216,031	\$ 9,216,031
2014	0	8,991,250	8,991,250
2015	0	8,991,250	8,991,250
2016	0	8,991,250	8,991,250
2017	0	8,991,250	8,991,250
2018	0	8,991,250	8,991,250
2019	0	8,991,250	8,991,250
2020	0	8,991,250	8,991,250
2021	1,200,000	8,961,250	10,161,250
2022	2,675,000	8,864,375	11,539,375
2023	4,010,000	8,697,250	12,707,250
2024	4,205,000	8,491,875	12,696,875
2025	4,410,000	8,276,500	12,686,500
2026	4,620,000	8,050,750	12,670,750
2027	4,845,000	7,814,125	12,659,125
2028	5,085,000	7,565,875	12,650,875
2029	5,330,000	7,305,500	12,635,500
2030	5,590,000	7,032,500	12,622,500
2031	5,865,000	6,746,125	12,611,125
2032	6,150,000	6,445,750	12,595,750
2033	6,450,000	6,130,750	12,580,750
2034	6,770,000	5,800,250	12,570,250
2035	7,100,000	5,453,500	12,553,500
2036	7,450,000	5,089,750	12,539,750
2037	7,815,000	4,708,125	12,523,125
2038	8,205,000	4,307,625	12,512,625
2039	8,605,000	3,887,375	12,492,375
2040	9,035,000	3,446,375	12,481,375
2041	9,480,000	2,983,500	12,463,500
2042	9,950,000	2,497,750	12,447,750
2043	10,440,000	1,988,000	12,428,000
2044	10,960,000	1,453,000	12,413,000
2045	11,505,000	891,375	12,396,375
2046	12,075,000	301,875	12,376,875
Total	<u>\$ 179,825,000</u>	<u>\$ 215,345,906</u>	<u>\$ 395,170,906</u>

* Preliminary; subject to change.

(1) Interest is estimated for illustrative purposes only.

COUNTY TAX INFORMATION

AD VALOREM TAX LAW

The appraisal of property within the County is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000.

Effective January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for “freeport property” to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

See “– TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT” for exemptions.

The County may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “– TAX ABATEMENT POLICY.”

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By each September 1 or as soon thereafter as practicable, the Commissioners Court adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. The Commissioners Court may not adopt a tax rate that exceeds the prior year’s levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6 %	1 %	7 %
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE

The County grants an exemption to the market value of the residence homestead of persons over 65 years of age or disabled of \$100,000.

The County has granted an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

The County has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the County against the exempt value of residence homesteads for the payment of debt.

The County does not tax nonbusiness personal property; and the County collects its own taxes.

The County does not permit split payments, and discounts are not allowed.

The County does tax freeport property.

The County does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

TAX ABATEMENT POLICY

The County has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT REINVESTMENT ZONE

A municipality in the County may establish a tax increment reinvestment zone (“TIRZ”) within a defined area of such municipality. In 2005, the Texas Legislature authorized Texas counties to create a TIRZ within a defined area of the county. The cost of certain public improvements in a TIRZ may be financed or repaid by contribution of future tax revenues from incremental increases in property values in the TIRZ. The County may contribute all or a portion of its tax revenue on such increase in value to a special tax increment fund created by the municipality. The County has agreed to participate in TIRZs in the past and may continue to do so in the future. Increment revenue derived from the participation of the County in a TIRZ will not be available for payment on the Bonds.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2011/2012 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		\$ 50,758,690,938
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ 5,489,886,004	
Over 65 Exemptions	1,886,672,409	
Disabled & Deceased Veteran's Exemptions	308,485,286	
Lease Vehicle Exemption	140,572,896	
Abatements	294,407,390	
Productivity Loss	2,327,154,350	
Pollution	378,077,680	
House Bill 366	235,735	
Historical	12,764,075	
Community Housing Development	16,080,470	
Prorated Exempt Property	9,865,854	
10% Homestead Cap Adjustment	92,112,500	10,956,314,649
2011/2012 Taxable Assessed Valuation		\$ 39,802,376,289
County Funded Debt Payable from Ad Valorem Taxes (as of July 1, 2012)		
Limited Tax Bonds	\$ 190,330,000	
Unlimited Tax Road Bonds	164,190,000	
Unlimited Tax Toll Road Bonds	122,705,000 ⁽¹⁾	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds	8,665,000	
County Funded Debt Payable from Ad Valorem Taxes		\$ 485,890,000
Ratio Tax Supported Gross Debt to Taxable Assessed Valuation		1.22%

2012 Population Estimate - 606,786 ⁽²⁾
 Per Capita Taxable Assessed Valuation - \$65,595
 Per Capita Tax Debt - \$801

(1) These bonds are deemed to be self-supporting from revenues of the Fort Bend Parkway and the Westpark Tollway. Includes the County’s \$116,940,000 Unlimited Tax and Subordinate Lien Toll Road Refunding Bonds, Series 2012 which were delivered on July 12, 2012, and excludes the bonds refunded by such refunding bonds. Does not include the Bonds.
 (2) Source: Fort Bend County.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Tax Year					
	2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 33,271,249,534	65.55%	\$ 32,405,502,925	64.81%	\$ 31,469,106,324	62.57%
Real, Residential, Multi-Family	986,735,050	1.94%	974,134,090	1.95%	933,131,501	1.86%
Real, Vacant Lots/Tracts	1,032,622,618	2.03%	1,017,512,443	2.04%	1,117,900,848	2.22%
Real, Acreage (Land Only)	2,580,025,665	5.08%	2,640,019,515	5.28%	2,747,928,916	5.46%
Real, Farm and Ranch Improvements	341,573,665	0.67%	336,375,780	0.67%	337,629,492	0.67%
Real, Commercial and Industrial	7,067,549,562	13.92%	7,186,318,692	14.37%	7,657,173,417	15.22%
Real, Oil, Gas & Other Mineral Reserves	273,708,150	0.54%	334,652,480	0.67%	288,508,240	0.57%
Real and Tangible Personal, Utilities	661,873,150	1.30%	680,505,438	1.36%	708,852,540	1.41%
Tangible Personal, Commercial and Industrial	3,644,423,318	7.18%	3,519,402,303	7.04%	3,901,899,997	7.76%
Tangible Personal, Other	56,173,610	0.11%	56,757,845	0.11%	65,568,290	0.13%
Real, Inventory	758,201,911	1.49%	789,447,630	1.58%	998,032,310	1.98%
Special Inventory	74,156,420	0.15%	46,825,140	0.09%	61,579,430	0.12%
Intangible Property and/or Uncertified Property	10,398,285	0.02%	10,051,655	0.02%	9,736,015	0.02%
Total Appraised Value Before Exemptions	\$ 50,758,690,938	100.00%	\$ 49,997,505,936	100.00%	\$ 50,297,047,320	100.00%
Less: Total Exemptions/Reductions	10,956,314,649		10,994,891,710		10,958,724,489	
Taxable Assessed Value	<u>\$ 39,802,376,289</u>		<u>\$ 39,002,614,226</u>		<u>\$ 39,338,322,831</u>	

Category	Tax Year			
	2008		2007	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 29,600,226,897	62.03%	\$ 26,074,875,092	62.60%
Real, Residential, Multi-Family	856,320,675	1.79%	740,362,100	1.78%
Real, Vacant Lots/Tracts	1,025,949,648	2.15%	896,515,866	2.15%
Real, Acreage (Land Only)	2,327,690,553	4.88%	1,752,086,402	4.21%
Real, Farm and Ranch Improvements	332,671,171	0.70%	298,632,638	0.72%
Real, Commercial and Industrial	7,381,581,427	15.47%	6,017,907,895	14.45%
Real, Oil, Gas & Other Mineral Reserves	460,348,230	0.96%	484,742,740	1.16%
Real and Tangible Personal, Utilities	714,323,255	1.50%	683,824,846	1.64%
Tangible Personal, Commercial and Industrial	3,721,004,950	7.80%	3,447,644,919	8.28%
Tangible Personal, Other	67,335,172	0.14%	72,602,165	0.17%
Real, Inventory	1,154,054,680	2.42%	1,104,613,967	2.65%
Special Inventory	73,003,110	0.15%	70,754,990	0.17%
Intangible Property and/or Uncertified Property	7,596,006	0.02%	6,722,296	0.02%
Total Appraised Value Before Exemptions	\$ 47,722,105,774	100.00%	\$ 41,651,285,916	100.00%
Less: Total Exemptions/Reductions	10,086,091,068		8,535,703,347	
Taxable Assessed Value	<u>\$ 37,636,014,706</u>		<u>\$ 33,115,582,569</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	Tax Year
2007	501,974	\$ 28,933,750,694	\$ 57,640	\$ 375,765,000	1.30%	\$ 749	2006
2008	501,974	33,115,582,569	65,971	367,690,000	1.11%	732	2007
2009	528,392	37,636,014,706	71,227	479,050,000	1.27%	907	2008
2010	547,876	39,338,322,831	71,802	467,300,000	1.19%	853	2009
2011	585,375	39,002,614,226	66,628	452,755,000	1.16%	773	2010
2012	606,786	39,802,376,289	65,595	492,670,000 ⁽³⁾	1.24% ⁽³⁾	812 ⁽³⁾	2011

(1) Source: Fort Bend Economic Development Council.

(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.

(3) Does not include the Bonds.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections ⁽¹⁾	% Total Collections ⁽²⁾
2007	\$ 0.51674	\$ 148,924,916	98.14%	99.86%
2008	0.51674	171,897,689	98.32%	99.72%
2009	0.49976	188,607,365	98.62%	99.72%
2010	0.49976	196,771,337	99.00%	99.64%
2011	0.49976	194,935,715	99.14%	99.47%
2012	0.49976	198,468,874	97.12% ⁽³⁾	97.12% ⁽³⁾

(1) Collected within the fiscal year of the levy.

(2) As of September 30, 2011 for each respective year's levy.

(3) Represents collections as of April 30, 2012.

TABLE 5 – TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2011	2010	2009	2008	2007
General Fund	\$ 0.38184	\$ 0.38100	\$ 0.38620	\$ 0.39595	\$ 0.41454
Road & Bridge Fund	0.03032	0.02770	0.03100	0.03920	0.02420
Debt Service Fund ⁽¹⁾	0.06880	0.07146	0.06180	0.04861	0.06000
Drainage District	0.01880	0.01960	0.02076	0.01600	0.01800
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	\$ 0.49976	\$ 0.49976	\$ 0.49976	\$ 0.49976	\$ 0.51674

(1) The debt service fund tax includes a levy for unlimited tax bonds which are outside the constitutional tax limit.

TABLE 6 – TEN LARGEST TAXPAYERS

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2011/2012 Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
NRG Texas Power LLC	Electric Utility	\$1,421,179,330	3.57%
Centerpoint Energy Electric	Electric Utility	237,460,690	0.60%
Katy Mills Mall LTD Partnership ⁽¹⁾	Shopping Mall	100,168,290	0.25%
First Colony Mall Venture	Shopping Mall	94,024,230	0.24%
Inova Geophysical Equipment	Geophysical Technology	84,725,890	0.21%
Tramontina USA Inc.	Manufacturing	83,604,240	0.21%
Cardinal Health 411 Inc.	Healthcare	78,578,240	0.20%
Lakepointe Assets LLC	Commercial	74,000,000	0.19%
Fountains Dunhill LLC	Commercial	70,886,673	0.18%
Medistar Sugar Land Medical Center, Ltd.	Healthcare	70,524,870	0.18%
		<u>\$2,315,152,453</u>	<u>5.82%</u>

(1) The County has agreed to participate in the City of Katy TIRZ that includes Katy Mills Mall. Under its TIRZ Participation Agreement with the City of Katy, the County has agreed to contribute fifty percent of the tax increment produced in the City of Katy TIRZ to the City of Katy tax increment fund.

GENERAL OBLIGATION DEBT TAX RATE LIMITATION

Limited Tax Bonds Payable From the \$0.80 Constitutional Tax Rate . . . Texas Government Code, Section 1301.003, limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	-	2% of Assessed Valuation
Jail Bonds	-	1 1/2% of Assessed Valuation
Courthouse and Jail Bonds	-	3 1/2% of Assessed Valuation
Road and Bridge Bonds	-	1 1/2% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the separate statutory authority, which removes the above limitations.

Article VIII, Section 9, of the Texas Constitution, imposes a limit of \$0.80 per \$100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, certificates, warrants and certificates of obligation issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of \$0.40 of the \$0.80 constitutional tax rate for Limited Tax Bond debt service.

The County’s obligation to make contract payments to the Authority pursuant to the Joint Project Agreement is subject to this constitutional limitation.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, provides that Unlimited Tax Road Bond Debt may not exceed 25% of the County’s assessed valuation of real estate.

TABLE 7 – TAX ADEQUACY

2012 Principal and Interest Requirements.....	\$ 34,589,601	(1)
\$0.09060 Tax Rate at 96% Collection Produces	\$ 34,618,515	
Average Principal and Interest Requirements (2012-2021).....	\$ 40,691,637	(1)
\$0.10650 Tax Rate at 96% Collection Produces	\$ 40,693,950	
Average Principal and Interest Requirements (2022-2026).....	\$ 38,823,696	(1)
\$0.10170 Tax Rate at 96% Collection Produces	\$ 38,859,856	
Average Principal and Interest Requirements (2027-2032).....	\$ 29,455,189	(1)
\$0.07710 Tax Rate at 96% Collection Produces	\$ 29,460,127	
Maximum Principal and Interest Requirements (2019).....	\$ 41,714,885	(1)
\$0.10920 Tax Rate at 96% Collection Produces	\$ 41,725,627	

(1) Does not include the Bonds.

TABLE 8 – ESTIMATED CONSOLIDATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the County are paid out of ad valorem taxes levied by such entities on properties within the County. Such entities are independent of the County and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the County.

Taxing Jurisdiction	Total G.O. Debt as of Various Dates	Estimated % Applicable	County's Overlapping G.O. Debt as of Various Dates
Fort Bend County	\$ 485,890,000 ⁽¹⁾	100.00%	\$ 485,890,000 ⁽¹⁾
Cities			
Arcola	1,655,000	100.00%	\$ 1,655,000
Beasley	370,000	100.00%	370,000
Kendleton	64,000	100.00%	64,000
Meadows Place	3,645,000	100.00%	3,645,000
Needville	85,000	100.00%	85,000
Orchard	37,000	100.00%	37,000
Richmond	10,645,000	100.00%	10,645,000
Rosenberg	52,029,000	100.00%	52,029,000
Sugar Land	236,556,502	100.00%	236,556,502
County-Line Cities			
Houston	3,408,440,000	0.61%	\$ 20,791,484
Katy	11,865,000	39.36%	4,670,064
Missouri City	159,340,000	95.65%	152,408,710
Pearland	307,985,000	1.61%	4,958,559
Stafford	635,000	100.00%	635,000
Total Cities			\$ 488,550,319
School Districts			
Fort Bend ISD	951,714,425	100.00%	\$ 951,714,425
Lamar Consolidated ISD	453,390,000	100.00%	453,390,000
Needville ISD	72,240,000	100.00%	72,240,000
County-Line School Districts			
Brazos ISD	16,769,993	73.16%	\$ 12,268,927
Katy ISD	1,077,256,064	36.98%	398,369,292
Stafford MSD	63,840,000	99.62%	63,597,408
Total School Districts			\$ 1,951,580,052
Special District Debt			
Total Special District Debt ⁽²⁾			\$ 1,939,061,149
Other			
Houston Community College District	181,000,000	2.91%	\$ 5,267,100
Total Other			\$ 5,267,100
Summary of Total Estimated Overlapping Debt			
Cities			\$ 488,550,319
School Districts			1,951,580,052
Special Districts			1,939,061,149
Other			5,267,100
Estimated Overlapping Debt			\$ 4,384,458,620
Fort Bend County - Direct Obligations			\$ 485,890,000 ⁽¹⁾
Total Direct and Estimated Overlapping Debt			\$ 4,870,348,620

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

(1) County debt outstanding as of July 1, 2012. Includes the County’s \$116,940,000 Unlimited Tax and Subordinate Lien Toll Road Refunding Bonds, Series 2012 which were delivered on July 12, 2012, and excludes the bonds refunded by such refunding bonds. Does not include the Bonds.

(2) Total Special District Debt includes numerous special districts with varying amounts of debt applicable to the County.

COUNTY DEBT INFORMATION

TABLE 9 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End September 30	County Debt Paid From Ad Valorem Taxes						Grand Total Requirements
	Limited Tax Bonds	Unlimited Tax Bonds	Flood Control Water Supply Corporation Limited Tax Bonds	Total Debt Service Paid From Ad Valorem Taxes	Toll Road Tax Bonds ⁽¹⁾		
2012	\$ 15,911,263	\$ 12,265,260	\$ 1,284,738	\$ 29,461,260	\$ 5,128,341	\$ 34,589,601	
2013	15,912,200	15,626,135	1,270,119	32,808,454	8,603,476	41,411,930	
2014	15,916,938	15,524,923	1,323,700	32,765,560	8,176,450	40,942,010	
2015	15,915,238	15,424,160	1,262,300	32,601,698	8,288,725	40,890,423	
2016	15,918,338	15,329,835	1,182,100	32,430,273	8,839,625	41,269,898	
2017	15,509,113	15,222,348	1,128,000	31,859,460	9,346,625	41,206,085	
2018	15,513,038	15,120,348	1,074,500	31,707,885	9,921,875	41,629,760	
2019	15,512,088	15,018,673	1,026,500	31,557,260	10,157,625	41,714,885	
2020	15,513,488	14,916,810	949,500	31,379,798	10,321,875	41,701,673	
2021	15,512,944	14,820,966	893,200	31,227,110	10,333,000	41,560,110	
2022	15,512,750	12,978,588		28,491,338	10,339,125	38,830,463	
2023	15,512,125	12,971,511		28,483,636	10,320,250	38,803,886	
2024	15,515,500	12,972,456		28,487,956	10,354,875	38,842,831	
2025	15,511,344	12,967,831		28,479,175	10,332,250	38,811,425	
2026	15,512,875	12,974,872		28,487,747	10,342,125	38,829,872	
2027	15,508,556	10,611,763		26,120,319	10,347,875	36,468,194	
2028	15,512,588	8,699,088		24,211,675	10,339,000	34,550,675	
2029	15,513,969	8,699,300		24,213,269	10,329,875	34,543,144	
2030	15,511,213	4,928,463		20,439,675	10,357,188	30,796,863	
2031	9,884,306	4,930,625		14,814,931	10,317,375	25,132,306	
2032		4,928,450		4,928,450	10,311,500	15,239,950	
	<u>\$ 306,629,869</u>	<u>\$ 256,932,403</u>	<u>\$ 11,394,656</u>	<u>\$ 574,956,928</u>	<u>\$ 202,809,054</u>	<u>\$ 777,765,982</u>	

(1) Includes debt service on the County's \$116,940,000 Unlimited Tax and Subordinate Lien Toll Road Refunding Bonds, Series 2012 which were delivered on July 12, 2012, and excludes debt service on the bonds refunded by such refunding bonds. Does not include debt service on the Bonds.

TABLE 10 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2012		\$ 34,589,601
Interest and Sinking Fund, September 30, 2011	\$ 5,181,758	
Estimated Interest and Sinking Fund Tax Levy @ 97% Collections	26,562,514	
Transfer from Toll Road Authority	5,128,341	
Projected Other Income	<u>1,045,000</u>	<u>37,917,612</u>
Estimated Balance, September 30, 2012		\$ 3,328,012

TABLE 11 – AUTHORIZED BUT UNISSUED BONDS

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued Balance</u>
County Roads	5/12/2007	\$ 156,000,000	\$ 115,000,000	\$ 41,000,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The County does not anticipate any further issuance of general obligation debt in the current fiscal year.

TABLE 12 – OTHER OBLIGATIONS

As of September 30, 2011, the County has no other outstanding obligations.

PENSION FUND

The County provides pension, disability and death benefits for all of its full-time employees through a non-traditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS, the contribution rate of the County is a fixed percent equal to twice the contribution rate payable by the employee member. Currently, the employee member is required to contribute 7% and the County contributes 14%. This rate is not actuarially determined and is one of the rates that can be adopted by the County in accordance with the TCDRS Act. The matching rate is funded by direct allocation by the County along with plan savings from the prior year, therefore the actual allocation rate is less. The following schedule shows the County allocation rate over the past five years that was necessary to achieve a contribution rate of 14%:

Year:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Rate:	10.07%	10.83%	10.65%	11.12%	11.55%

The plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute on behalf of the employee to achieve the match described above. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. The schedule below shows a 5-year analysis of the County's pension benefit funding (data as of 12/31/2011 is not yet available):

<u>Schedule of Funding Information</u>	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
Actuarial valuation date					
Actuarial value of assets	\$ 186,654,926	\$ 205,614,643	\$ 209,747,313	\$ 238,298,754	\$ 257,926,802
Actuarial accrued liability (AAL)	\$ 211,484,564	\$ 232,539,055	\$ 254,807,906	\$ 283,956,716	\$ 307,767,507
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	\$ 24,829,638	\$ 26,924,412	\$ 45,060,593	\$ 45,657,962	\$ 49,840,705
Funded ratio	88.26%	88.42%	82.32%	83.92%	83.81%
Annual covered payroll (actuarial)	\$ 73,899,065	\$ 81,337,945	\$ 92,096,921	\$ 104,983,019	\$ 106,041,139
UAAL or OAAL as % of covered payroll	33.60%	33.10%	48.93%	43.49%	47.00%

(For more detailed information concerning the retirement plan, see APPENDIX C – EXCERPTS FROM THE COUNTY'S ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011 - Note 8.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the TCDRS, the County sponsors and administers a single-employer defined benefit health care plan titled "Fort Bend County Employee Benefit Plan" (the "Plan"). The Plan was established and approved by Fort Bend County Commissioners Court and Chapter 175 of the Local Government Code which provides eligible employees, retirees, and their eligible dependents with the following post-employment benefits:

- Eligible retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees
- Eligible dependents of retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

The Plan does not issue a separate, publicly available report.

The contribution requirements of the County and plan members are established and may be amended by Commissioners Court. These contributions are neither guaranteed nor mandatory. The County has retained the right to unilaterally modify its payments toward retiree healthcare benefits. The Plan provides for the payment of a portion of the health and dental insurance premiums for eligible retired employees and their dependents. Plan members receiving benefits contribute a percentage of the monthly insurance premium. Currently, the Plan pays a portion of the retiree's premiums, as well as his or her dependent coverage. The retiree contributes the premium cost each month, less the Plan subsidy.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County, therefore, charges both groups an equal, blended rate premium. Although both groups are charged the same rate, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the County has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The County contributed approximately \$2.7 million for the fiscal year ended September 30, 2011. At September 30, 2011, there were 365 retirees receiving benefits and approximately 2,275 active members not yet eligible to receive such benefits. Commencing in fiscal year 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The County performs an annual actuarial valuation of its post-retirement benefit liability. The County discusses the pre-funding of this liability annually during the budget process while reviewing the actuarial valuation. The County has chosen to first modify the Plan to control and reduce cost before pre-funding the OPEB liability. The changes are not influencing the actuarial calculation yet. The major changes are:

- Increase the vesting period to be eligible to retire from 8 years to 16 years beginning 1/1/2010.
- Changed to a national provider network in 2012 to achieve greater discounts.
- Opened an employee/retiree primary care clinic January 2012 to control utilization and costs.

The financial statement disclosures for 2011 are as follows:

For fiscal year 2011, the County's annual OPEB cost for the Plan was \$31,751,414. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2011, were as follows:

	Fiscal Year Ending 9/30/11
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 17,130,282
Amortization of Unfunded Actuarial Accrued Liability	15,793,330
Annual Required Contribution (ARC)	<u>32,923,612</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	32,923,612
Interest on prior-year Net OPEB Obligation	3,004,505
Adjustment to ARC	<u>(4,176,703)</u>
Annual OPEB Cost	31,751,414
Less Assumed Contributions Made	<u>(5,104,000)</u>
Estimated Increase in Net OPEB Obligation	26,647,414
Net OPEB Obligation - Beginning of Year	<u>75,112,628</u>
Net OPEB Obligation - End of Year	<u><u>\$ 101,760,042</u></u>
Percentage of OPEB Cost Contributed	16.1%

The following table shows the annual OPEB cost and net OPEB obligation for fiscal years 2008-2011 assuming the plan is not prefunded (4% discount)

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	4%	\$26,985,307	10.50%	\$24,163,790
2009	4%	26,608,211	7.30%	48,819,922
2010	4%	30,699,706	14.40%	75,112,628
2011	4%	31,751,414	16.10%	101,760,042

A schedule of funded status as of the most recent actuarial valuation is as follows:

Actuarial valuation date	October 1, 2009
Actuarial value of plan assets (a)	\$0
Actuarial accrued liability (AAL) (b)	\$240,282,297
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	\$240,282,297
Funded Ratio (a/b)	0.0%
Annual Covered Payroll (c)	\$104,983,019
UAAL or OAAL as % of covered payroll ((b-a)/c)	228.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

The actuarial cost method used for determining the benefit obligations is a Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on certain assumptions and census data. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, The Unfunded AAL is amortized as a level dollar over 30 years. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement for themselves and their spouses is 100% and 40% respectively. The valuation assumes a 4.9% to 8.5% healthcare cost trend increase beginning in fiscal year 2010 based on the premiums of the respective plan types, reduced by decrements to rates of 4.9% to 6.1% after 7 years.

COUNTY FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Revenues:					
Program Revenues:					
Charges for Services	\$ 37,241,289	\$ 35,156,664	\$ 35,102,888	\$ 33,424,910	\$ 30,555,885
Operating Grants and Contributions	35,820,119	23,313,282	33,935,787	24,399,799	19,049,110
Capital Grants and Contributions	25,214,312	30,358,341	63,974,765	33,540,586	103,693,431 ⁽¹⁾
General Revenues:					
Property Taxes	196,820,339	198,888,176	191,467,403	171,832,680	151,404,502
Earnings on Investments	2,925,202	3,870,155	3,664,184	8,072,311	12,009,284
Other	6,065,510	4,237,069	3,901,588	2,170,172	1,693,188
Total Revenues	\$ 304,086,771	\$ 295,823,687	\$ 332,046,615	\$ 273,440,458	\$ 318,405,400
Expenditures:					
General Administration	\$ 47,101,717	\$ 44,235,342	\$ 40,876,045	\$ 41,632,474	\$ 12,414,272
Financial Administration	8,648,273	8,059,389	8,841,189	7,588,070	5,666,739
Administration of Justice	86,081,856	78,194,354	75,836,037	45,849,068	33,554,996
Construction & Maintenance	46,150,023	45,850,196	45,882,038	40,018,361	-
Road & Bridge	-	-	-	-	44,381,066
Health & Welfare	25,283,662	23,789,044	25,623,533	21,690,506	19,866,544
Cooperative Service	1,177,426	1,131,763	1,188,580	1,132,987	934,276
Public Safety	55,190,407	55,214,005	61,126,911	68,877,031	52,325,953
Parks & Recreation	2,915,986	2,576,095	1,879,525	2,114,983	1,822,404
Flood Control Projects	-	-	-	-	6,434,608
Libraries & Education	14,810,488	13,468,700	12,956,363	12,280,421	10,694,749
Capital Outlay, interim activity	-	-	-	-	-
Internal Service Fund, interim activity	-	-	-	-	-
Interest on Long-Term Debt	14,887,908	15,494,994	12,338,352	10,621,067	6,051,065
Total Expenditures	\$ 302,247,746	\$ 288,013,882	\$ 286,548,573	\$ 251,804,968	\$ 194,146,672
Change in Net Assets	\$ 1,839,025	\$ 7,809,805	\$ 45,498,042	\$ 21,635,490	\$ 124,258,728
Net Assets, Beginning	715,845,088 ⁽²⁾	708,025,880 ⁽²⁾	663,834,575 ⁽²⁾	642,199,088	517,940,360 ⁽²⁾
Ending Fund Balance	\$ 717,684,113	\$ 715,835,685	\$ 709,332,617	\$ 663,834,578	\$ 642,199,088

Source: County's audited financial statements.

(1) Unaudited; represents Texas Department of Transportation projects with the County as a partner that have been completed.

(2) Restated.

TABLE 13A – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Seven Months Ended April 30,		Fiscal Year Ended September 30,				
	2012 ⁽¹⁾	2011 ⁽¹⁾	2011	2010	2009	2008	2007
Revenues:							
Taxes	\$ 149,846,355	\$ 147,275,437	\$ 150,611,129	\$ 154,092,302	\$ 150,881,918	\$ 139,477,502	\$ 122,607,412
Fees and Fines	11,039,714	10,640,187	26,538,216	24,501,004	22,691,631	20,061,234	18,593,505
Intergovernmental	7,664,859	13,015,906	23,894,468	18,114,404	24,989,268	14,556,972	6,519,034
Earnings on Investments	688,159	877,434	1,457,487	1,445,301	1,247,763	2,866,409	4,469,895
Miscellaneous	5,442,019	4,531,291	3,372,764	3,185,729	2,540,424	1,657,663	2,342,280
Total Revenues	<u>\$ 174,681,106</u>	<u>\$ 176,340,255</u>	<u>\$ 205,874,064</u>	<u>\$ 201,338,740</u>	<u>\$ 202,351,004</u>	<u>\$ 178,619,780</u>	<u>\$ 154,532,126</u>
Expenditures:							
Current Operating:							
General Administration	22,250,311	22,195,276	41,623,232	39,663,645	36,997,902	35,207,103 ⁽²⁾	26,030,749
Financial Administration	4,209,538	4,201,094	7,158,932	6,709,784	7,130,068	6,328,276	5,631,690
Administration of Justice	30,831,275	29,918,203	54,210,526	50,317,627	50,165,055	22,752,204	18,784,040
Road & Bridge	-	-	-	-	-	-	2,693,264
Construction and Maintenance	1,564,749	1,610,608	2,843,242	2,795,780	3,057,376	2,637,980	-
Health & Welfare	10,953,019	11,565,040	17,345,040	17,576,622	19,440,480	17,179,487	14,957,641
Cooperative Service	591,734	543,878	986,392	933,519	1,049,985	975,720	934,276
Public Safety	24,200,179	22,620,763	42,751,912	39,189,698	43,501,625	61,678,076 ⁽²⁾	50,294,207
Parks & Recreation	1,013,115	1,314,773	2,263,590	2,231,528	1,815,986	1,739,346	1,822,404
Libraries & Education	7,454,340	7,091,212	12,113,853	11,297,919	11,274,245	10,342,295	10,605,484
Capital Outlay	9,349,383	10,637,349	20,194,149	18,443,425	22,149,422	8,590,318	15,321,628
Total Expenditures	<u>\$ 112,417,643</u>	<u>\$ 111,698,196</u>	<u>\$ 201,490,868</u>	<u>\$ 189,159,547</u>	<u>\$ 196,582,144</u>	<u>\$ 167,430,805</u>	<u>\$ 147,075,383</u>
Revenues Over (Under) Expenditures	\$ 62,263,463	\$ 64,642,059	\$ 4,383,196	\$ 12,179,193	\$ 5,768,860	\$ 11,188,975	\$ 7,456,743
Transfer In (Out)	(8,286,693)	(3,627,727)	(3,704,588)	(3,362,527)	(9,950,498)	(8,145,190)	(8,594,882)
Beginning Fund Balance, January 1	44,058,981	43,380,373	43,380,373	34,563,707	38,745,345 ⁽³⁾	35,701,557	36,839,696
Ending Fund Balance	<u>\$ 98,035,751</u>	<u>\$ 104,394,705</u>	<u>\$ 44,058,981</u>	<u>\$ 43,380,373</u>	<u>\$ 34,563,707</u>	<u>\$ 38,745,342</u>	<u>\$ 35,701,557</u>

Source: The County.

(1) Unaudited.

(2) Construction in Progress expenditures were previously categorized as Capital Outlay. These expenditures are now categorized based on the governmental function it benefits.

(3) Restated.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the County conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds) and Agency Funds are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Property taxes, which are levied in the last quarter of the year and collected before year-end, are considered deferred revenues because such revenues are not legally available to pay liabilities in the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on the general long-term debt are recognized as expenditures when due.

General Fund Balance . . . The General Fund is used to account for all revenues and expenditures not accounted for in other funds, relating to general operations.

Debt Service Fund Balance . . . Used to account for payment of principal and interest on general long-term debt.

Budgetary Procedures . . . The County Budget Officer prepares the proposed budget using revenue estimates furnished by the County Auditor. A public hearing is held on the budget before finalizing it. The Commissioners Court may increase or decrease the amounts requested by the departments. In the final budget, which is usually adopted in the last quarter of the fiscal year, appropriations of the budgeted funds cannot exceed the available fund balances in such funds on January 1, plus the estimated revenues for the ensuing year. During the year, the Commissioners Court may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balances in excess of budget estimates, provided it rules that a state of emergency exists. The level of budgetary control is at the major operating group level. There are four major operating groups:

Salary and Personnel Costs	Information Technology Costs
Operating and Training Costs	Capital Acquisition Costs.

The underlying budget is maintained at the line item level, but departments are able to transfer amounts within each major group without court approval. Transfers between major groups require court approval. Transfers among individual expenditure line items within major categories may be made during the year, but no such transfer may increase the overall total of the budget without the declaration of an emergency. It is the amended budget that is presented in the financial statements on the budgetary basis. Except for transfers among budgeted line items and the amendment to the indigent health care budget, there were no other significant increases in the adopted budget.

INVESTMENTS

The County invests the Authority's investable funds in investments authorized by Texas law in accordance with investment policies approved by the Commissioners Court of the County. Both state law and the County's investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for County deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for County deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, (13) bonds issued, assumed, or guaranteed by the State of Israel, and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than the prohibited obligations described in the next succeeding paragraph.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Effective September 1, 2003, governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES

Under Texas law, the County is required to invest its funds, including the Authority’s funds, under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All County funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each funds’ investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, County investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the County shall submit an investment report detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest County funds without express written authority from the Commissioners Court.

ADDITIONAL PROVISIONS

Under Texas law the County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers’ with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the County’s investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 – CURRENT INVESTMENTS

As of May 31, 2012, the County’s investable funds were invested in the following categories:

<u>Description</u>	<u>Book Value</u>	<u>Market Value</u>
Texas Term Investment Pool	\$ 1,985,093	\$ 1,985,093
Texas Class Investment Pool	4,354	4,354
LOGIC State Pool	7,065	7,065
	<u>\$ 1,996,512</u>	<u>\$ 1,996,512</u>

INVESTMENT CONSIDERATIONS

The following is a discussion of certain matters that should be considered in evaluating an investment in the Bonds. This discussion does not purport to be either comprehensive or definitive. The order in which the investment considerations are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event. Moreover, there are other considerations associated with an investment in the Bonds in addition to those set forth herein. Prospective investors should read the entire Official Statement, including the appendices.

GENERAL

The information set forth in this Official Statement has been obtained from records, financial reports and other sources of the Authority and County that are considered to be reliable. All of the summaries of the statutes, documents and the orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and orders. These summaries do not purport to be complete statement of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

No opinion or representation is rendered as to whether any forecast will approximate actual results, and all opinions, estimates, and assumptions, whether or not expressly identified as such, should not be considered statements of fact. Inevitably, some underlying assumptions and estimates will not be realized, and unanticipated events and circumstances may occur. Therefore, actual results will vary, and such differences may be material.

Unless expressly stated to the contrary, information on internet websites referenced in this Official Statement is not incorporated into this Official Statement, and such information is dated as indicated therein. The Authority, the County, the Financial Advisor and the Underwriters make no assurances that any such information will be updated in the future. The Authority, the County, the Financial Advisor and the Underwriters disclaim any responsibility regarding other internet sites that may be accessed through any website referenced in this Official Statement.

TRAFFIC AND REVENUE REPORT

Based upon the Traffic and Revenue Study prepared by Wilbur Smith Associates (now CDM Smith Inc.), the Authority reasonably anticipates that the Project will generate Net Revenues in an amount sufficient to pay the debt service on the Bonds.

The Traffic and Revenue Study includes (i) a “base case” forecast, which assumes a full build-out of the entire Grand Parkway and (ii) an alternative “Segment D Only” forecast. The alternative scenario assumes Segment D will be constructed alone without the impact of the other adjacent segments of the Grand Parkway. Although considered unlikely, the alternative scenario helps to illustrate the toll feasibility of Segment D as a standalone project. There are no guarantees that additional segments of the Grand Parkway will be completed or if completed, when. The study also includes assumptions relating to the expansion of the Project with additional lanes, when traffic congestion is at Level of Service (LOS) C as contemplated by the Terms and Conditions.

The revenue forecasts in the Traffic and Revenue Study are based upon certain assumptions set forth or incorporated therein. See “THE TRAFFIC AND REVENUE STUDY” in APPENDIX A. The Traffic and Revenue Study is not a guarantee of any future events or trends, and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, any of the estimates and assumptions in the Traffic and Revenue Study are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the Authority. Failure to achieve or realize any of the assumptions listed in the Traffic and Revenue Study may have a materially adverse effect upon the toll revenues actually realized.

THE GRAND PARKWAY SYSTEM

The entire Grand Parkway is an approximately 180 mile project that consists of 11 segments that traverse through seven counties, including Segment C in Fort Bend and Brazoria Counties and Segment D in Fort Bend County. Segments E, F-1, F-2 and G, in Harris and Montgomery Counties, are being financed and developed by TxDOT. In addition, TxDOT is responsible for constructing the interchanges at Segments D and E of the Grand Parkway and I-10. There are no guarantees that the additional segments and interchanges will be completed or, if completed, when. See the “base case” and “Segment D Only” forecasts and related discussion in the “THE TRAFFIC AND REVENUE STUDY” in APPENDIX A.

Furthermore, the Traffic and Revenue Study makes certain assumptions regarding the timing of completion of other segments of the Grand Parkway System. Delays in those projects would affect revenues on Segment D.

OPERATING RISKS

The collection of toll revenues will be subject to the risks inherent in the establishment and operation of any toll facility, including, among other things, the volume of traffic that utilizes the Project, the ability of the Authority to accurately process data and the ability of the Authority to manage toll evasion and implement effective toll collection and enforcement practices.

Other operating risks that could impact revenues include (i) the ability of the Authority to control expenses, (ii) the availability of adequately-trained personnel, (iii) population, employment and income trends within the region, (iv) congestion on alternative freeways, highways, and streets, (v) time savings experienced by motorists utilizing the toll facilities, (vi) the level and escalation of toll rates, (vii) the availability and price of fuel; and (viii) the construction of new or improved competitive roadways or transit facilities or alternative modes of transportation.

The continued successful operation of the Project will require timely and adequate maintenance and replacement of components of the Project. Any significant deterioration in the Project may result in increased Project Expenses and in reduced usage, including temporary lane closures.

PAYMENT OF DEBT SERVICE AND PROJECT EXPENSES

Under the Joint Project Agreement, the County has agreed to make contractual payments to the Authority sufficient to provide for the payment of (i) debt service on the Bonds and (ii) operating and maintenance costs of the Project. See “THE GRAND PARKWAY SYSTEM—CONTRACT WITH THE COUNTY.”

The Bonds are secured, pursuant to the Indenture, by a pledge of and lien on all of the Authority’s right, title and interest in and to the County’s unconditional contractual obligation to pay the Authority from annual ad valorem taxes levied by the County, within the limits prescribed by law, the principal of and interest on the Bonds to the extent toll revenues and other available funds are insufficient to meet the debt service on the Bonds. See “SECURITY AND SOURCE OF PAYMENT—GENERAL.”

In addition, so long as any Bonds or additional bonds are outstanding, the County has agreed in each year to levy, assess, and collect an annual tax on all taxable property within the County fully sufficient in each year (taking into account delinquencies and costs of collection) to produce revenues which shall be sufficient to (i) pay as they become due all Project Expenses for which there are insufficient available Revenues or (ii) produce revenues for the Project equal to the amounts budgeted for such purpose in such year by the County, whichever is greater. **Any such revenues are not part of the Trust Estate and may not be applied to the payment of Debt Service on the Bonds or any Additional Bonds.** See “SECURITY AND SOURCE OF PAYMENT—MAINTENANCE TAX COVENANT.”

Notwithstanding the Joint Project Agreement, the limited tax pledge and the maintenance tax pledge, the long-term expectation of the Authority and the County is that the Project will generate sufficient revenues to be self-supporting. No assurance can be made that sufficient toll revenues will be available in the future to provide for payment of Debt Service on the Bonds or to maintain the Project adequately over the long term or that the County will not have to make payments under the Joint Project Agreement.

COSTS OF CONSTRUCTION OF TOLL FACILITIES

In projects of the magnitude of the Project being developed and operated by the Authority, there is a possibility of time delays and cost increases resulting from (i) design and construction problems and resulting change orders, (ii) environmental litigation or environmental administrative matters, (iii) the unavailability or cost of acquiring right-of-way or other realty interests, (iv) archeological, historic and unidentified subsurface conditions, (v) utility relocation problems, (vi) hazardous materials, (vii) force majeure events, (viii) litigation, or (ix) inflation. As a result, there can be no assurance that the costs of completion for the Project and improvements and extensions to the Project will not exceed current estimates, or that the completion of such projects will not be delayed beyond estimated and scheduled completion dates. Variations in cost estimates and delays in construction could be material.

There is also a possibility of insolvency or bankruptcy of the contractors during construction. While contractors generally are required to provide performance bonds and payment bonds, there can be no assurance that such bonds will be sufficient to assure timely completion of the Project and improvements and extensions to the Project. Moreover, if a default occurs under a construction contract by the contractor, there is a possibility of litigation between the Authority and the providers of the performance bonds and payment bonds and/or the contractor, which could further delay construction and the opening of the Project. Any such delays and/or cost overruns could result in the delay or reduction in the collection of revenues and an increase in costs.

TOLL RATES

In the Indenture, the Authority has covenanted to keep in effect a plan for toll collecting facilities and a schedule of rates of tolls that will generate during each fiscal year an amount of Net Revenues which, together with all amounts in the Subordinate Lien Debt Service Fund as of the last day of the preceding fiscal year, will at least equal 100% of the amounts required to pay the principal of and interest on the Subordinate Lien Bonds (including the Bonds) in such fiscal year, subject to the toll rate escalation requirements established by the Term and Conditions. See “SECURITY AND SOURCE OF PAYMENT—TOLL COVENANT” and “THE GRAND PARKWAY SYSTEM—GENERAL.”

On August 23, 2011, the Commissioners Court of the County established a toll rate setting policy (the “Toll Policy”) for future toll rate adjustments on the Authority’s toll facilities. The Toll Policy establishes a process for an annual adjustment of toll rates, with provisions for rounding tolls to appropriate levels. The Toll Policy provides guidelines for the systematic implementation of future rate increases. The Commissioners Court of the County can repeal or amend the Toll Policy at any time. See “THE GRAND PARKWAY SYSTEM—INITIAL AND FUTURE TOLL RATE ESCALATION METHODOLOGY.” The County’s willingness and ability to raise toll rates or to implement alternative toll pricing strategies in the future may be influenced by a variety of factors, including the Terms and Conditions, toll rates charged by the owners or operators of other toll facilities in the region, local and regional economic conditions and political sensitivities.

In addition, when a toll rate increase is implemented, a portion of travelers may discontinue use of a toll facility in favor of alternative routes. Accordingly, future increases in toll rates could result in reduced usage of the Project which could result in decreased toll revenues.

ALTERNATIVE ROUTES

There are a number of non-tolled roadways in the County that can serve as alternative routes for prospective users of the Project. In particular, drivers will have free access to the main lanes of Segment D of the Project by entering after an overpass and exiting before the next overpass. See “TRAFFIC AND REVENUE STUDY” in APPENDIX A. Factors that could affect use of the Project include cost, time of day, day of the week, speed and delay.

MOTOR FUEL PRICES AND TAXES

There is no assurance that motor fuel will remain in adequate supply or that motor fuel prices and federal and State motor fuel taxes will not increase. Increases in motor fuel pump prices could negatively impact the toll revenues on the Project. Additionally, if motor fuel prices increase, it could have an adverse effect on the economy of the region which could negatively impact toll revenues on the Project.

MARKET DISRUPTIONS, RELIANCE ON CAPITAL MARKETS AND MARKET TURMOIL

The credit markets experience substantial disruption from time to time. There can be no assurance as to the timing of any disruption or the extent of any recovery that may be made by the credit markets. The Authority’s capital plans include raising additional funds through bond financings for extensions and improvements to the Project. If the Authority is unable to access the credit markets as a result of any such disruption, it is likely to have to delay the completion of certain projects until such time as the capital markets rebound. The effect of such delays could result in increased costs for such projects and a delay in the receipt of revenues from such projects.

The recent domestic financial crisis has had, and may continue to have, negative repercussions upon the national economy, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, fluctuations in interest rates, reduced business activity, increased unemployment, increased consumer bankruptcies and increased business failures and bankruptcies. Congress, the Federal Reserve Board and other agencies of the federal government have taken various actions that are designed to enhance liquidity, improve the performance and efficiency of the credit markets and generally stabilize the securities markets and stimulate the economy. There can be no assurance that these actions will be effective. If the economic environment remains weak or worsens further, it could negatively impact the financial condition of the Authority and the County.

LIMITATION AND ENFORCEABILITY OF REMEDIES

The remedies available to owners of any Bonds upon an event of default under the transaction documents, including the Indenture, are limited to the seeking of specific performance in a writ of mandamus or other suit, action or proceeding compelling and requiring the Authority and its officials of the Authority and County to observe and perform any covenant, condition or obligation prescribed in the transaction documents, including the Indenture. Bondholders do not have the right to have the maturity of the Bonds accelerated as a remedy in the event of a default by Authority or the County under the transaction documents. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the transaction documents would be successful.

The remedies under the transaction documents, including the Indenture, may be dependent upon judicial or other actions that are subject to discretion and delay and may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

FUTURE AND PROPOSED TAX LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in other information provided by the Authority or the County, that are not purely historical, are forward-looking statements, including statements regarding the Authority's or the County's expectations, hopes, intentions or strategies regarding the future and the projections in the traffic and revenue study. All forward-looking statements included in this Official Statement are based on information available to the Authority and the County on the date hereof, and the Authority and the County assume no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The Authority has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority’s Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the Authority, the Authority’s Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Authority should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income

tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the Authority nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

CONTINUING DISCLOSURE INFORMATION

THE AUTHORITY

In the First Supplemental Indenture, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains an “obligated person” with respect to the Bonds, within the meaning of the Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

ANNUAL REPORTS

The Authority will provide certain updated financial information and operating data to the MSRB. The information to be updated includes the following quantitative financial information and operating data with respect to the Authority: (1) traffic count table for the Project, (2) toll rate schedule for the Project, (3) selected financial information of the Authority, (4) historical toll road operating results and coverages (starting in the first full year after completion of the Project), (5) debt service requirements, and (6) APPENDIX D. The Authority will update and provide this information within six months after the end of each fiscal year ending in and after 2012.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation.

The Authority’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS

The Authority will also provide timely notices of certain events to the MSRB. The Authority will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Authority will provide timely notice of any failure by the Authority to provide annual financial information in accordance with their agreement described above under “ANNUAL REPORTS.”

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

AVAILABILITY OF INFORMATION

The Authority has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The Authority has agreed to update information and to provide notices of certain specified events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement.

The Authority may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

This is the Authority’s first bond issue, therefore the Authority has not previously made a continuing disclosure agreement in accordance with the Rule.

THE COUNTY

In the Joint Project Agreement, the County has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe the agreement for so long as it remains an “obligated person” with respect to the Bonds, within the meaning of the Rule. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB.

ANNUAL REPORTS

The County will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 7 and 9 through 14 and in APPENDIX C. The County will update and provide this information within six months after the end of each fiscal year ending in and after 2012.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC as permitted by Rule. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation. The County's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under "ANNUAL REPORTS." For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

AVAILABILITY OF INFORMATION

The County has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The County has agreed to update information and to provide notices of certain specified events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the County to comply with its agreement.

The County may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The County may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the County so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “—Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

The County has complied, in all material respects, with all continuing disclosure undertakings made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds have been assigned ratings of “___” by Moody’s Investors Service Inc. (“Moody’s”) and “AA+” by Fitch Ratings (“Fitch”). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the Authority that there is no pending litigation against the Authority that would have a material adverse financial impact upon the Authority or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Authority assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – RATINGS” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Authority will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations as described under “TAX MATTERS.” The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Bond Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from Authority records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions precedent, to purchase the Bonds from the Authority at a price of \$_____ (representing the par amount of the Bonds of \$_____, plus a premium of \$_____, less an underwriters' discount of \$_____). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Loop Capital Markets LLC, has entered into a distribution agreement with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to such agreement, Loop Capital Markets will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan & Company, Inc. ("Morgan Keegan") from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James | Morgan Keegan" that appears on the cover of this Preliminary Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The Authority's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the Authority's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The order authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Authority will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Authority contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Authority and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Authority, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Authority believes to be reliable and the Authority has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Authority since the date of the last audited financial statements of the Authority.

Chairman, Board of Directors
Fort Bend Grand Parkway Toll Road Authority

ATTEST:

Secretary, Board of Directors
Fort Bend Grand Parkway Toll Road Authority

APPENDIX A

TRAFFIC AND REVENUE STUDY



900 Chapel Street, Suite 1400
New Haven, Connecticut 06510
tel: 203 865-2191
fax: 203 624-0484

June 25, 2012

Fort Bend Grand Parkway Toll Road Authority
Sugarland, TX 77479

Subject: **FBGPTRA - SH 99 Grand Parkway Segment D
Traffic and Revenue Bring Down Letter 2012**

Gentlemen:

This bring down letter is provided in connection with the issuance of Toll Road Revenue Bonds, Series 2012 by the Fort Bend Grand Parkway Toll Road Authority (FBGPTRA) used in the financing of Grand Parkway Segment D (Segment D) in Fort Bend County, Texas. CDM Smith¹ is pleased to submit this update and review of the continuing validity of the Comprehensive Traffic and Revenue (T&R) Study dated June 2011. Full background information regarding the project configuration, tolling concepts and assumptions were provided in the original comprehensive report which remain broadly unchanged unless stated in the letter below.

Several important topics are addressed in this letter, including an update regarding observed traffic in the corridor, a review of the continued validity of the regional socio-economic forecasts, and a reasonableness check of the base case revenue growth forecast by analogy with actual historical revenues of a parallel established toll facility in the western Houston region.

Also considered are additional sensitivity tests for variables that could impact future T&R on Segment D. These tests are provided as a result of new information arising from studies of other Segments of the Grand Parkway and of the Fort Bend Westpark Tollway Extension that have been conducted since the original 2011 Fort Bend Segment D T&R study.

Observed Traffic Update

An important consideration in any update of a traffic study is the trend in baseline traffic. Although a short time has elapsed since the 2011 T&R Study it is important to verify that traffic in the corridor has not shown signs of a slowdown.

CDM Smith made widespread inquiries regarding the existence of fresh traffic data in the existing Segment D corridor and has been able to collect details of traffic counts performed around the Mason Road interchange. This permits a comparison with the 2010 counts conducted at two locations to the North and to the South of Mason Road. Table 1 and Table 2 summarize our analysis of these two locations.

¹ CDM Smith is the combined organization of the former CDM, Inc. and Wilbur Smith Associates, Inc. All prior work referenced was performed by Wilbur Smith Associates prior to the merger.





**Table 1 - Comparison of Traffic, 2010 versus 2012
 b/w Mason Rd and Belfort/Morton St**

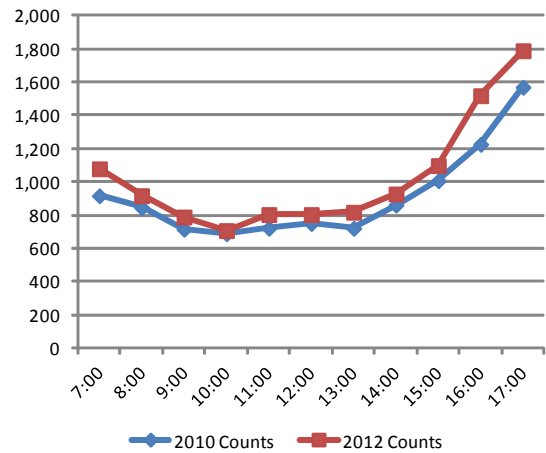
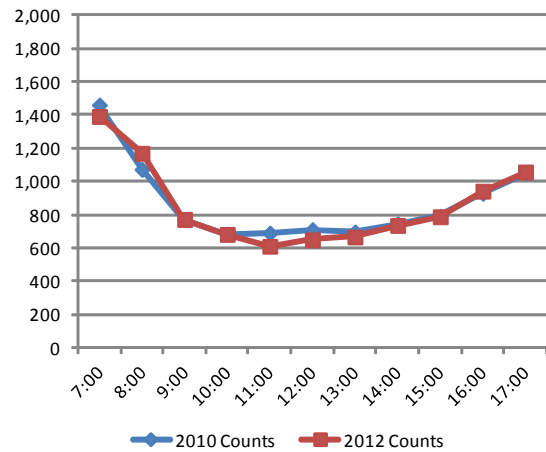
Southbound/Eastbound

Hour	2010 Counts	2012 Counts	
6:00	1,074	698	*30-min count
7:00	1,461	1,392	
8:00	1,074	1,170	
9:00	771	772	
10:00	685	683	
11:00	691	611	
12:00	711	650	
13:00	698	667	
14:00	746	737	
15:00	792	789	
16:00	930	943	
17:00	1,051	1,058	
18:00	951	460	*30-min count
Total (7am-6pm)	9,607	9,472	
Diff.		-135	
% Diff.		-1.4%	

Northbound/Westbound

Hour	2010 Counts	2012 Counts	
6:00	684	506	*30-min count
7:00	917	1,079	
8:00	846	917	
9:00	717	790	
10:00	689	708	
11:00	722	804	
12:00	751	804	
13:00	722	819	
14:00	862	928	
15:00	1,008	1,098	
16:00	1,227	1,519	
17:00	1,570	1,789	
18:00	1,218	777	*30-min count
Total (7am-6pm)	10,028	11,255	
Diff.		1,227	
% Diff.		12.2%	

Source: CDM Smith T&R Study September 2010 . TEDSI Infrastructure Group Mason Road Signal Study April 2012.



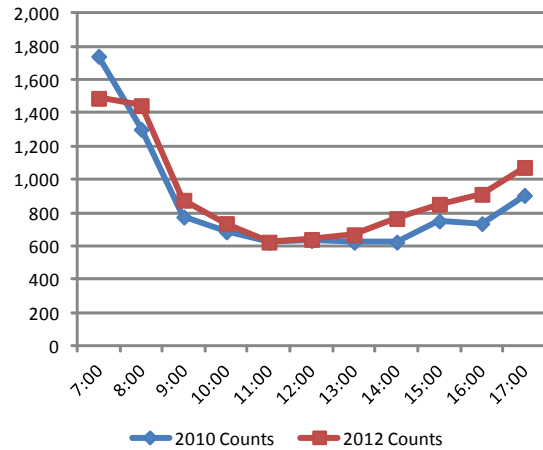
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Table 2 - Comparison of Traffic, 2010 versus 2012
 b/w Mason Rd and Harlem Rd

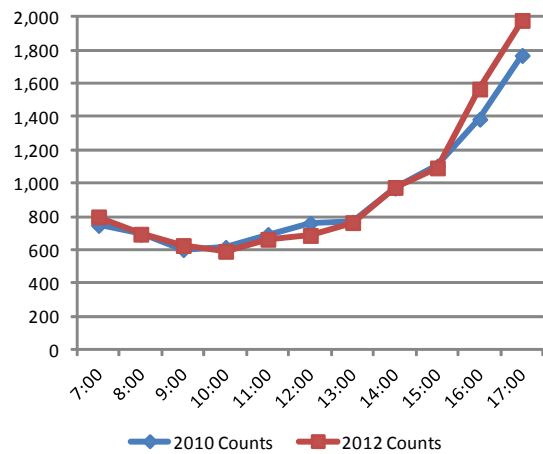
Southbound/Eastbound

Hour	2010 Counts	2012 Counts	
6:00	1,561	716	*30-min count
7:00	1,741	1,489	
8:00	1,302	1,445	
9:00	776	877	
10:00	687	736	
11:00	624	625	
12:00	635	641	
13:00	624	669	
14:00	625	766	
15:00	751	853	
16:00	736	912	
17:00	906	1,074	
18:00	867	460	*30-min count
Total (7am-6pm)	9,404	10,087	
Diff.		683	
% Diff.		7.3%	



Northbound/Westbound

Hour	2010 Counts	2012 Counts	
6:00	472	319	*30-min count
7:00	748	799	
8:00	694	695	
9:00	603	627	
10:00	616	592	
11:00	694	665	
12:00	761	687	
13:00	767	765	
14:00	971	976	
15:00	1,105	1,093	
16:00	1,386	1,567	
17:00	1,769	1,980	
18:00	1,284	814	*30-min count
Total (7am-6pm)	10,112	10,446	
Diff.		334	
% Diff.		3.3%	



Source: CDM Smith T&R Study September 2010 . TEDSI
 Infrastructure Group Mason Road Signal Study April 2012.

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FBGPTRA – S.H.99 Grand Parkway Segment D | Bring Down Letter, June 2012
June 25, 2012

Page 4

It should be noted that the count locations were not perfectly consistent in particular in the case where traffic is lower in the 2012 count due to the existence of a local road perpendicular to one of the off-ramps. We can conclude however that traffic levels on the existing road remain at or above prior measurements.

Validity of the Socio-Economic Forecasts

In conjunction with the original T&R Study, an independent economist, CDS Market Research (CDS), was commissioned to review the socio-economic potential of the region including a detailed small area analysis of the Grand Parkway corridor for near term Segments. Since June 2011, CDS has refined their forecast to include calibration to 2010 Census data and small area refinements vision for the FBCTRA Westpark Extension T&R Study.

For the present update two tasks were undertaken to review the validity of the socio-economic forecasts underlying the 2011 T&R estimates:

- First, CDS was requested to perform a review of their original independent forecast in light of any updated information. A letter from CDS outlining their review and confirmation of their forecasts is included at Attachment A to this letter. In summary, CDS has noted an improvement in the local economy with some minor changes to some specific development patterns, both upside and downside. CDS concluded their original forecast remains reasonable.
- Second, CDM Smith obtained and reviewed current forecasts from a leading independent economic forecaster, Moody's economy.com (Moody's), for comparison with their forecasts available at the time of the 2011 T&R study.

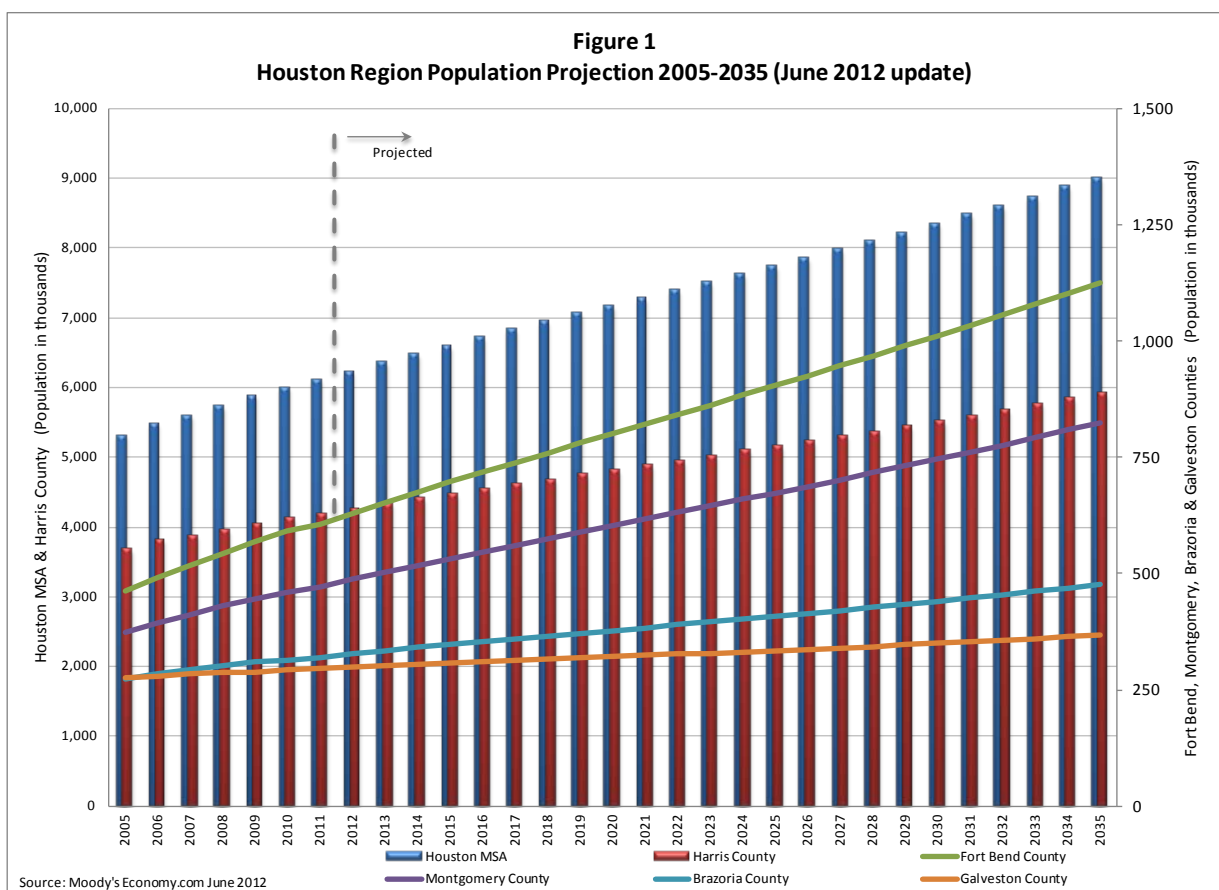
The remainder of this section summarizes the current outlook for the key forecasting variables as estimated by Moody's and compares that outlook with that published at the time of the 2011 T&R Study.

Socio-Economic Outlook

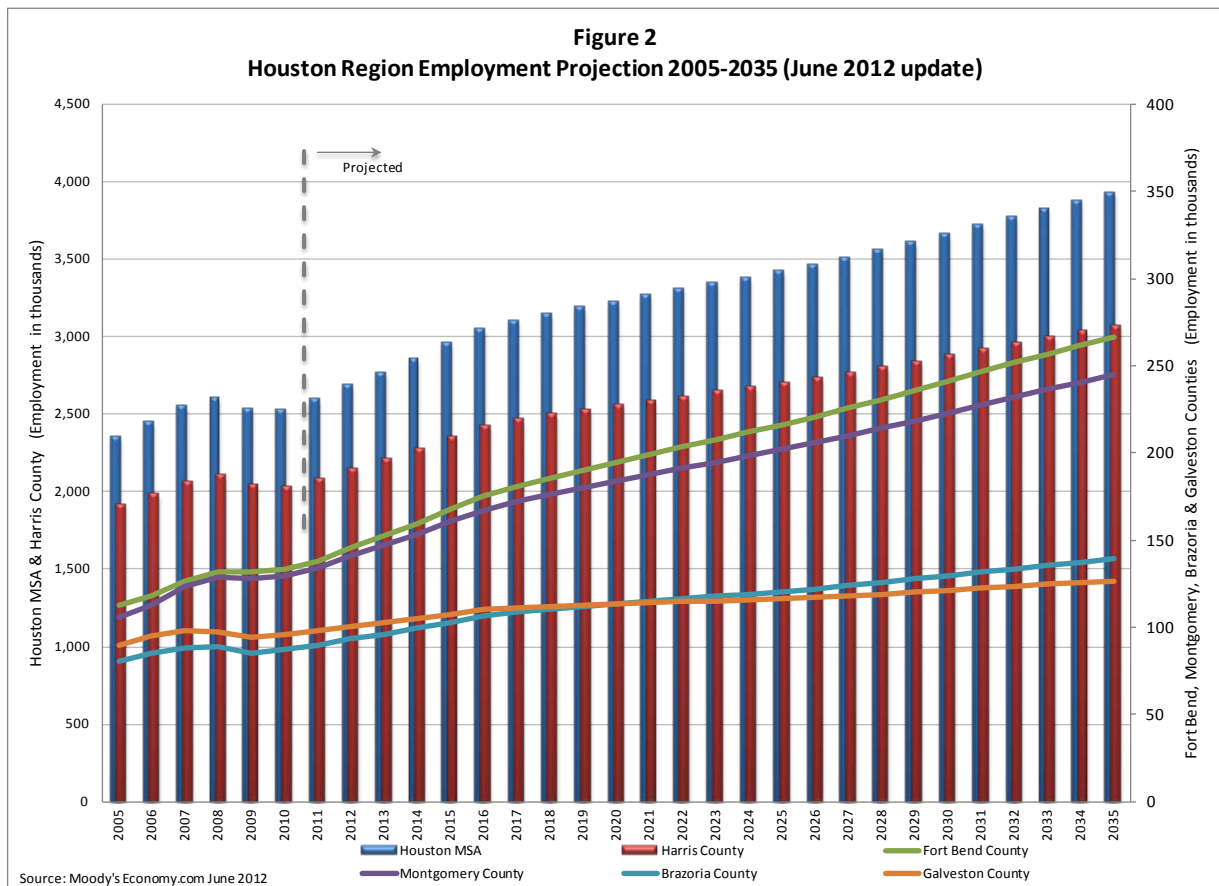
The following figures summarize Houston MSA and individual county forecasts provided by Moody's in June 2012. For scaling purposes, the larger MSA and Harris County data is shown as bar charts while the other constituent counties are shown as line charts. Fort Bend County data is depicted by a green line.

Figure 1 shows Moody's forecast of population for the Houston region. Considerable growth is anticipated for Fort Bend, Montgomery and Harris counties – those that future Grand Parkway

Segments D to G will traverse. Average annual growth of Fort Bend population is predicted to be roughly 2.6%.

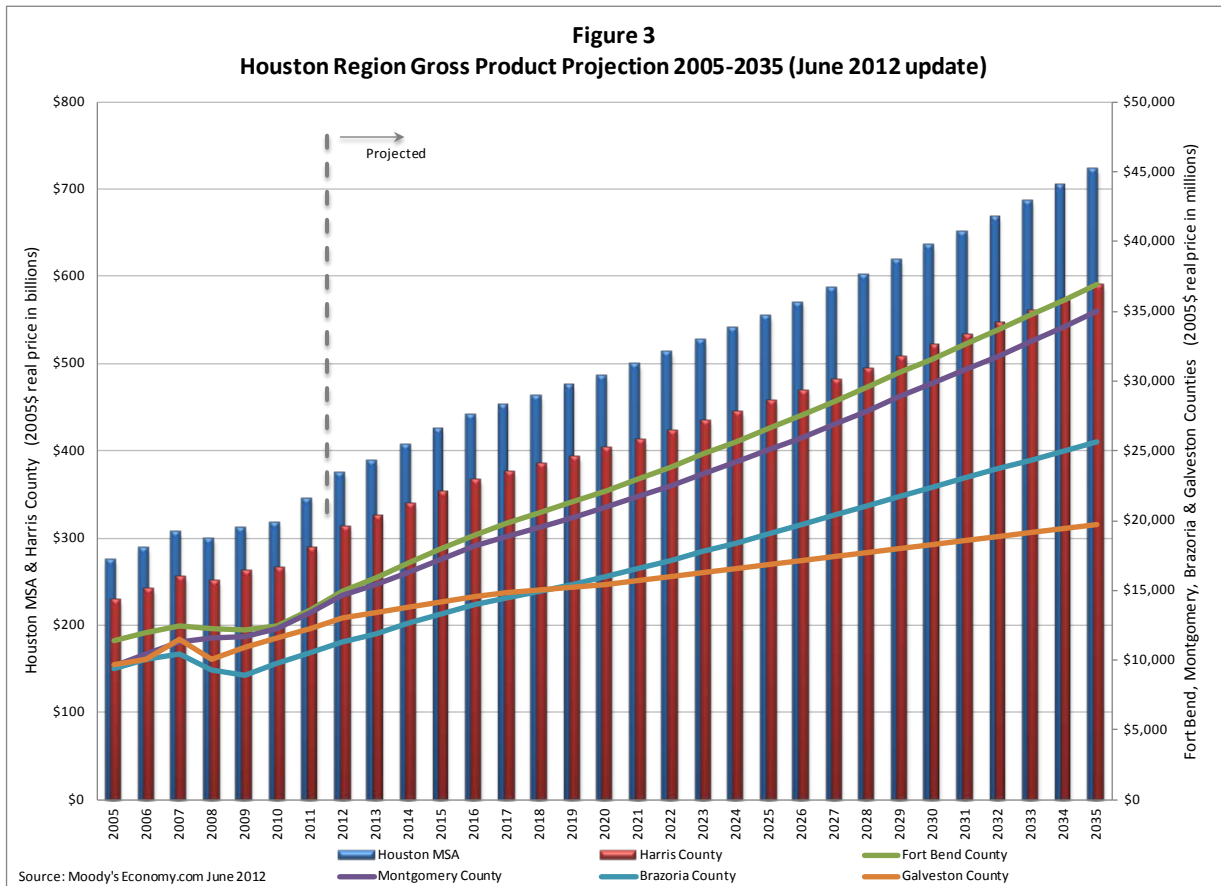


Moody's current projections for employment shown in Figure 2 also indicate a particularly healthy outlook for Fort Bend and Montgomery Counties. The estimate of annual average growth is approximately 2.8% for the Fort Bend County employment. The present economic slowdown is visually evident in the figure as is the relatively high growth through 2016 as the recovery continues.



Finally, projections for regional and county “gross product” are summarized in Figure 3 which also presents strong economic growth for Fort Bend County which is forecast to remain the second highest in the region in terms of the value of its economic activity.

The projections of gross product and population imply annual average growth of gross product *per head* of about 1.8 percent over the forecast horizon in Fort Bend County.



In summary, Moody's projections for the region and for Fort Bend in particular remain very positive in terms of the outlook of these three key variables that would be key drivers of travel demand in the Grand parkway corridor.

To assess whether the outlook has changed since the original 2011 T&R study was performed, CDM Smith compared the Moody's forecasts updated in February 2011 versus those obtained in June 2012. Table 3 summarizes the differences.

Fort Bend population shows a small adjustment in the early years due to revisions as a result of the 2010 Census, as population had generally been underestimated prior to the Census. There is also a minor adjustment to the outer years which is a maximum of only 1.5 percent by 2040.



Table 3
Comparison of Socioeconomic Forecasts
 Fort Bend County

Population ⁽¹⁾				
Year	Original	June 2012	Diff.	% Diff.
	Study	update		
2009	556,900	569,100	12,200	2.2%
2010	579,900	590,900	11,000	1.9%
2011	602,800	607,000	4,200	0.7%
2015	693,600	696,400	2,800	0.4%
2020	802,400	800,500	(1,900)	-0.2%
2030	1,020,800	1,010,600	(10,200)	-1.0%
2040	1,261,000	1,242,500	(18,500)	-1.5%

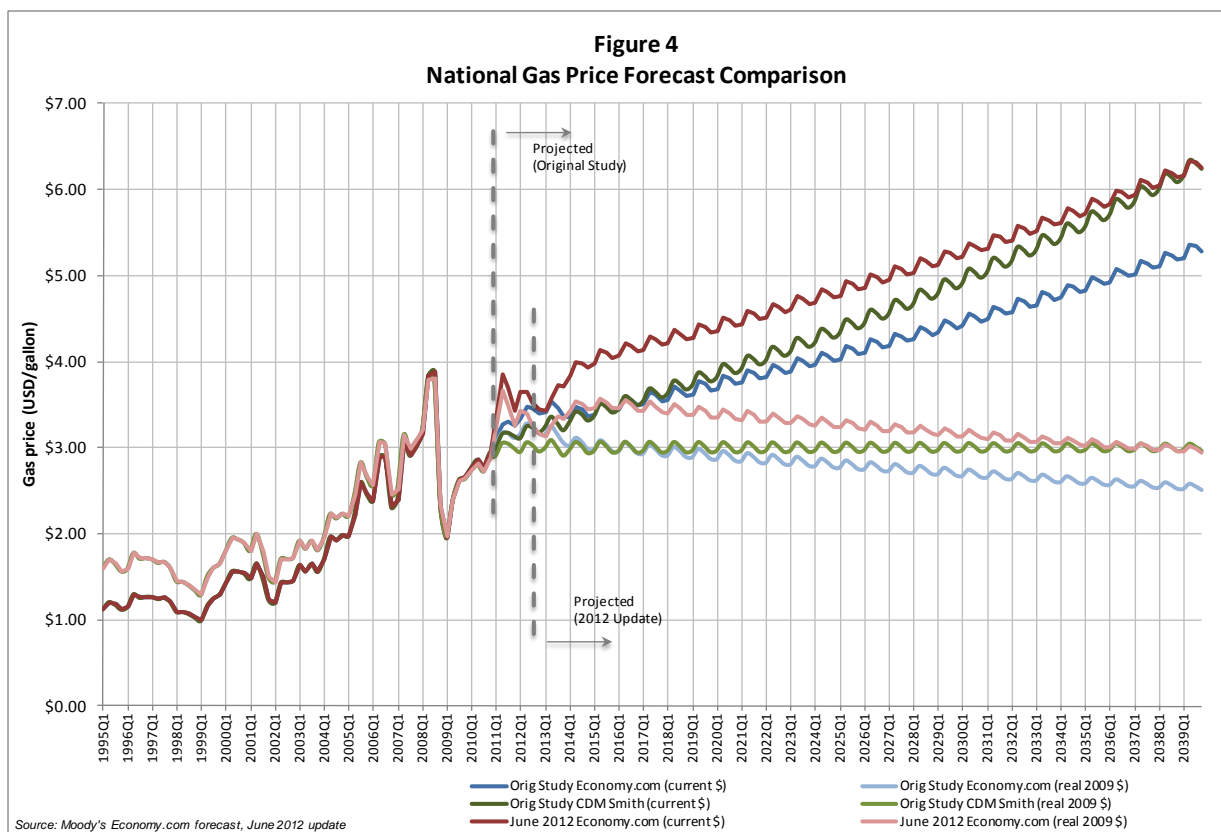
Employment ⁽²⁾				
Year	Original	June 2012	Diff.	% Diff.
	Study	update		
2009	131,700	131,400	(300)	-0.2%
2010	133,200	133,300	100	0.1%
2011	139,000	138,000	(1,000)	-0.7%
2015	169,400	167,500	(1,900)	-1.1%
2020	196,300	194,400	(1,900)	-1.0%
2030	246,700	240,900	(5,800)	-2.4%
2040	304,400	292,200	(12,200)	-4.0%

Gross Product (Mil. Chained 2005 \$) ⁽³⁾				
Year	Original	June 2012	Diff.	% Diff.
	Study	update		
2009	\$12,207	\$12,146	(\$61)	-0.5%
2010	\$12,559	\$12,489	(\$70)	-0.6%
2011	\$13,537	\$13,633	\$97	0.7%
2015	\$17,104	\$17,980	\$876	5.1%
2020	\$21,349	\$22,125	\$777	3.6%
2030	\$30,368	\$31,600	\$1,231	4.1%
2040	\$43,023	\$43,182	\$158	0.4%

Note:
 Historical data end dates for respective variables as below:
⁽¹⁾ **Population** - Original Study: December 2009
 June 2012 update: December 2011
⁽²⁾ **Employment** - Original Study: December 2009
 June 2012 update: December 2010
⁽³⁾ **Gross Product** - Original Study: December 2009
 June 2012 update: December 2010

Employment is now projected to be slightly lower - between 1 percent and 2.4 percent less through 2030 and 4.0 percent less in 2040. Finally, the outlook for gross product in the County is more positive throughout the whole forecast period by as much as 5.1 percent.

Another key exogenous variable is the projected fuel price assumption. To gauge the dynamics of fuel price forecasting we compared the two Moody's forecasts as shown in Figure 4. Current forecasts are roughly 25 cents higher per gallon than the previous forecasts in the short term but gradually converge to parity in the long term resulting in a larger reduction in real prices over the forecast horizon.

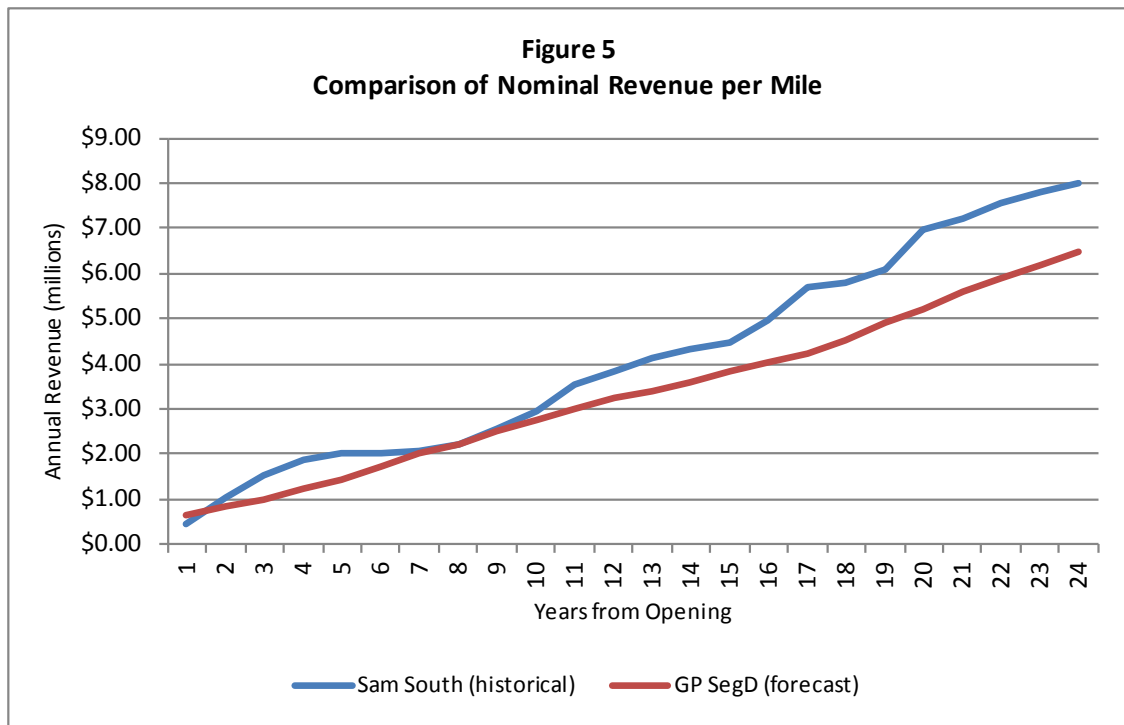


In conclusion, the base case assumptions used for key socio-economic variables in the original 2011 study remain reasonable having reviewed them against the updated current outlook. The independent economics has also been reviewed for reasonableness by CDS.

It should also be noted that sensitivity tests of the variability of T&R to key variables was provided in the original study.

Reasonableness of Base Case Revenue Growth

As a sense check of the reasonableness of the base case revenue growth forecast CDM Smith has compared the base case revenue forecasts for Segment D versus actual historical revenues of an established parallel toll facility in the western Houston region – the Western portion of the Sam Houston Tollway (Sam South) operated by HCTRA. This comparison made at the ‘per mile’ level is shown in Figure 5.



Except for toll increases roughly every 10 years, revenue growth on the Sam Houston has occurred as a result of increases in transactions. On the other hand Grand Parkway Segment D is estimated to achieve revenue growth as a result of regular annual toll increases in addition to traffic growth. Although the comparison is not perfect, it does provide a sense of the reasonableness of the estimated revenues by analogy.



Additional Sensitivity Tests

Standard sensitivity tests were provided in the original 2011 T&R Report, including the impacts of higher/lower economic growth, lower values of time and higher fuel prices. Since the 2011 Study was completed further refinements to the regional travel demand model have occurred as a result of ongoing studies for Fort Bend County and HCTRA/TxDOT. In addition further information has become available on possibly different configuration and tolling parameters for the other Segments of the Grand Parkway.

CDM Smith has identified the following possible refinements to assumptions that warrant further investigation and analysis of their estimated impact, as sensitivities:

Tolling

- Toll rates on other Grand Parkway Segments could be higher than assumed, i.e. 17.5 cents per mile versus 14.7 cents (in 2012 Dollars);
- Refined tolling concept on other Segments, changes to assumptions in Segment B (toll-free section on SH 35) and no-build of Segment A; and
- ETC-only (i.e. no video tolling) on other Grand Parkway Segments in lieu of AET;

Modeling Refinements

- Accelerated implementation schedule for other Grand Parkway Segments;
- Base year model refinements including additional survey trip tables merged from Segment E, F and G and carrying these additional adjustments to future year trip tables;
- Additional model calibration for screen lines and counts for Segment E, F and G study; and
- VOT inflation (2.25% until 2015 and 2.5% p.a. thereafter instead of 2.75% p.a.);

Socio-economics

- Improved Socio-economic data (refined CDS forecast includes calibration to 2010 Census data and revisions for the Westpark Extension study area).

Table 4 shows the estimated impacts of all the above changes for the following two scenarios, given that it is not certain that the other Segments would be required to be widened to accommodate traffic growth:

1. Base Case – as in the 2011 T&R Study it is assumed that Segment D and other Segments of the Grand Parkway will be widened as needed to six lanes to accommodate traffic growth;
2. No Widening – other Segments will remain at a 4-lane configuration and Segment D widening will not be triggered as capacity is reached.

Table 4
Estimated Impact on Transactions and Revenue
 Percent Change versus 2011 Study

Year	Base Case (Widening to 6 Lanes from 2025 on)	Sensitivity Test without Widening (4 Lanes only)
2015	-3.0%	-3.0%
2020	-3.4%	-3.4%
2025	-8.8%	-22.2%
2035	-10.2%	-26.7%

The cumulative impact to the base case of the multiple refinements to assumptions listed above is minimal in the short-term and could have an impact to the Base Case of approximately 8 per cent to 10 percent long term with ETC-only operations and higher toll rates on the other Segments.

In the no widening scenario, there is an estimated revenue impact of over 20% after 2025. In this scenario FBGPTRA could offset this negative impact by foregoing Segment D expansion and saving costs appropriately in conjunction with further toll increases to manage demand.



FBGPTRA – S.H.99 Grand Parkway Segment D | Bring Down Letter, June 2012
June 25, 2012

Page 13

Conclusions

Based on current economic trends, recent traffic performance data, and our review of key assumptions, CDM Smith concludes that the base case forecasts provided in the 2011 T&R Study remain valid and reasonable. No revised T&R Estimates are needed, however additional sensitivity tests are provided as a result of new information on the possible changes to some of the key assumptions. These new sensitivity tests are within the bounds of those provided previously; as always we recommend appropriate stress testing of financial models.

* * *

Respectfully submitted,

A handwritten signature in black ink that reads "Scott A. Allaire".

Scott Allaire
Vice President
CDM Smith Inc.

Attachment A

Update from Independent Economist – CDS Market Research

May 25, 2012

Mr. Jonathan R. Pagan
Principal Project Manager
CDM Smith
3201 Jermantown Road, Suite 400
Fairfax, VA 22030

Mr. Pagan

CDS Market Research (CDS) is pleased to submit this update letter as a confirmation of the economic and demographic forecasts used in the Traffic and Revenue study by CDS Smith and documented in the report, *Economic and Demographic Forecast Report, Grand Parkway - Segments D through G*, March 18, 2011. These forecasts were adjusted slightly in June 2011 and documented in *Westpark Tollway Economic/Demographic Projections* and then updated in August 2011. In this letter, CDS will describe:

- Regional employment and population trends
- Announced development in the Grand Parkway Corridor
- Any factors which would have changed the assumptions used in preparing the previously mentioned forecasts.
- Outside review of the forecasts

Regional Employment and Population Trends: The Houston Regional Economy has improved somewhat in the past year. By most measures, Houston leads the nation in recovery from the recent recession. In the CDS economic and demographic projections, the county and regional forecasts of the University of Houston Institute for Regional Forecasting (UH-IRF) were adopted. After the 2010 Census was released, CDS adjusted the UH-IRF population projections slightly to accommodate the new census population estimates. In the CDS forecasts, the 8-county regional population was expected to increase by 143,900 annually from 2010 to 2040 and regional employment was expected to increase 56,750 annually over that same period. According to the U.S. Bureau of Labor Statistics, the region added 83,600 payroll jobs in the 12-months from March 2011 to March 2012. According to U.S. Bureau of the Census estimates, the 8-County region added 139,073 residents between the census and their latest 2011 estimate. Therefore the most recent statistics for the past year do not suggest that the long-term forecasts for the region and the counties are in need of modification.

Measure	CDS Long Term Projection –Avg. Annual Growth	Most recent Annual Growth from Government Sources	Actual 1 year Change / Long Term Projection
8-County Regional Employment	56,750	83,600	+47.3%
8-County Regional Population	143,900	139,073	-5.4%

The annual employment growth projection of 56,750 is an average over a long period of time, the one year growth of 83,600 is not out of line with a cyclical trend that would result in the long term average projected by the UH-IRF and CDS.

Announced New Development. For this review, CDS investigated new announced development as well as changes in major development plans along the Grand Parkway corridor. CDS identified 36 residential development announcements in the past year and 5 office projects. Following is a list and a general assessment of whether those changes would materially affect the economic and demographic forecasts.

For each recent announcement, the location is matched to our geographic zones (Regional Analysis Zones (RAZ) or Small Analysis Zones (SAZ) which are often subsets of Traffic Analysis Zones). The growth in the CDS forecasts was evaluated to determine if the forecasts are adequate to accommodate expected growth within the planned development.

Residential Announcements

Development	Type	County	RAZ/SAZ	Comment
Waterford at Summer Park (196 units)	Apartments	Ft. Bend	156/3107	Forecast is consistent (high)
Dolce Living at Rosenberg (156 units)	Apartments	Ft. Bend	156/3107	Forecast is consistent (high)
Greatwood Lakes (100 acres, 254 lots)	Subdivision	Ft. Bend	154/3091	Forecast is consistent (high)
Telfair Lofts (317 units)	Apartments	Ft. Bend	150/2180	Forecast is barely adequate
Avalon at Telfair	Subdivision	Ft. Bend	154/2196	Forecast is consistent (high)
Ball Park at Imperial (254 units)	Apartments	Ft. Bend	151/2220	Forecast is consistent (high)
Brazos Senior Villas (96 units)	Senior Apts	Ft. Bend	149/2282	Forecast is consistent
Watermark at Sienna Plantation (240 units)	Apartments	Ft. Bend	155/2131	Forecast is consistent (high)
Taylor Morrison (100 acres-Broussard Tract)	Subdivision	Ft. Bend	146/2227	Forecast is consistent (high)
Taylor Morrison (15 acres-Parkway Lakes)	Subdivision	Ft. Bend	146/3126	Forecast is consistent (high)
Legend Homes (175 acres)	Subdivision	Ft. Bend	146/3117	Forecast is consistent (high)
Legends at Cinco Ranch Phase 2 (336 units)	Apartments	Ft. Bend	144/2242	Forecast is consistent (high)
Toll Brothers (180 acres-Reserve at Katy)	Subdivision	Ft. Bend	144/2234	Forecast is consistent (high)
Meritage Homes (117 acres Gustafson Tract)	Subdivision	Ft. Bend	144/2234	Forecast is consistent (high)
Terra Vista (600-acres)	Subdivision	Ft. Bend	146/2207	Forecast is consistent (high)
Lennar (242 acres – Addison Lakes)	Subdivision	Ft. Bend	143/1456	Forecast is consistent (high)
Cane Island (800 acres)	Subdivision	Ft. Bend	143/2319	Forecast is consistent (high)
Watermark at Katy Ranch (260 units)	Apartments	Harris	111/1436	Forecast is consistent (high)
KB Homes (60 acres- Morton Crossing)	Subdivision	Harris	113/3162	Forecast is consistent (high)
Williamsburg Apartments (600 units)	Apartments	Harris	113/3158	Forecast is low
Mariposa at FM529 (180 units)	Apartments	Harris	105/1715	Forecast is barely adequate
Queenston Manor	Apartments	Harris	114/1451	Forecast is consistent (high)
KB Homes (91 lots, Berkshire Crossing)	Subdivision	Harris	114/1452	Forecast is consistent (high)
Sueba Vintage Park Phase 4 (239 units)	Apartments	Harris	122/1801	Forecast is consistent (high)
Sueba-San Antiqua (277 units)	Apartments	Harris	123/1675	Forecast is low
Mariposa at Ella Blvd. (180 units)	Apartments	Harris	123/1655	Forecast is consistent (low)
DRHorton/Ryland Homes (127 acres Glenloch Farms)	Subdivision	Harris	122/1800	Forecast is consistent (high)
Meritage Homes (100 acres)	Subdivision	Harris	122/3268	Forecast is consistent (high)
McKenzie Park (193 acres, 294 lots)	Subdivision	Harris	122/3267	Forecast is consistent (high)
Ryland Homes (at Northhampton)	Subdivision	Harris	122/1808	Forecast is consistent (high)
New Subdivision (600 acres)	Subdivision	Mont.	130/3282	Forecast is consistent (high)
The Woodlands Lodge (300 units)	Apartments	Mont.	131/2399	Forecast is consistent (high)
The Retreat at Country Club (210 units)	Apartments	Mont.	136/2472	Forecast is consistent (high)
Mansions Woodland Phase 2 (405 units)	Apartments	Mont.	132/2415	Forecast is consistent (high)
Shadow Creek South (161 lots)	Subdivision	Harris	121/1816	Forecast is consistent (high)
Lennar, DRHorton -Whitestone Tract (1,564 acres)	Subdivision	Mont.	128/3317	Forecast is slightly low

Major Commercial Announcements

Development	Type	County	RAZ/SAZ	Comment
Energy Tower III (451,000 sf)	Office	Harris	104/1429	Forecast is low
Trammel Crow (3 Buildings, 1.5 million sf)	Office	Harris	102/1416	Forecast is low
Parkway Central (228,000 sf)	Office	Harris	104/1426	Forecast is low
Skanska Energy Corridor (2 buildings, 700,000 s.f)	Office	Harris	100/1351	Forecast is slightly low
Remington Square Building C (118,000 sf)	Office	Harris	107/1699	Forecast is consistent (high)
City Centre Three (120,000 sf)	Office	Harris	102/1412	Forecast is consistent (high)
Granite Briarpark Green (300,000 sf)	Office	Harris	63/1257	Forecast is consistent (high)
Six Sugar Creek (322,000 sf)	Office	Ft. Bend	151/2178	Forecast is consistent (high)
Research Forests Lakeside(6 bldgs, 358,000 sf)	Office	Mont.	132/2420	Forecast is slightly low
3 Waterway Place (152,000 sf)	Office	Mont.	132/2954	Forecast is slightly low
Anadarko Tower II (800,000 sf)	Office	Mont.	132/2954	Forecast is slightly low
Tanger Premium Outlet Mall (350,000 sf)	Retail	Galv.	178/2779	Forecast is consistent (low)

In the tables above, the Comment section can be interpreted as follows:

Forecast is consistent (high)	the forecast for this small zone can accommodate the announced project and much more
Forecast is consistent (low)	growth forecast for this small zone can accommodate the announced project
Forecast is slightly low	growth forecast in this small zone can accommodate some of the announced project
Forecast is low	forecast is not high enough for this zone to accommodate the announced project

Out of the 3,216 zones in the CDS Forecast, only 36 had new residential project announcements (1.1%). Of those 36 only 3 were considered to be “slightly low” or “low” (less than 1/10 of one percent),

For the jobs forecast, only 12 small zones had significant new projects announced (0.4%). In only three RAZs, 102, 104 and 132, there were 4 small zones for which the announced commercial plans exceeded the forecasts (1.5% of the 199 RAZs and 0.1% of the SAZs).

The new announced developments in all of the zones in which our forecasts were generally sufficient were indicative of the development activity that CDS projected would occur within those zones. It was impossible to know the particular details of developments that have been announced since the last project update at the time of said update. However CDS’ research and experience in the market lead us to believe that such development was highly likely.

Public Exposure of the Forecasts. In the past year since the forecasts were completed, CDS Market Research has been asked to present the forecasts to key groups across the Houston area. Presentations were made to:

- The West Houston Association
- The North Houston Association
- The Urban Land Institute – Houston Section
- Bay Area Houston Economic Partnership

Mr. Jonathan Pagan

May 25, 2012

Page 4

In every case, the forecasts have been received positively. In some cases, the organizations have posted the forecasts on their web sites. No negative comments have been received by CDS

For the purpose of reasonable traffic and revenue projections, and based on this research, CDS Market is satisfied that the forecasts of population and jobs to 2040 represents a reasonable and useful projection of the future of the Houston region.

Final Report

Fort Bend Grand Parkway Toll Road Authority

Grand Parkway Segment D Comprehensive Traffic and Revenue Study 2011



Final Report

Fort Bend Grand Parkway Toll Road Authority

Grand Parkway Segment D Comprehensive Traffic and Revenue Study 2011



Prepared by



June 2011

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Chapter 1 – Introduction	1-1
Project Description	1-1
Socio-Economic and Project Needs	1-2
Study Objectives	1-4
Order of Presentation	1-4
 Chapter 2 – Data Collection And Existing Conditions	 2-1
Existing Segment D Traffic Counts	2-1
Daily Traffic Variation	2-3
Hourly Traffic Variation	2-3
Speed and Delay Profile	2-3
Existing Situation, Key Findings	2-8
 Chapter 3 – Travel Pattern Sureys	 3-1
Video License Plate Survey	3-2
Handout Survey	3-5
Pattern of Surveyed Trips	3-8
 Chapter 4 – Stated Preference Surveys	 4-1
Survey Approach	4-1
Survey Administration	4-2
Survey Results	4-3
Demographics	4-3
Trip Characteristics	4-3
Results and Usage	4-4
 Chapter 5 – Economic Growth Assessment	 5-1
Regional Development Trend	5-1
Historical Population Trends	5-1
Historical Employment Trends	5-2
Historical Personal Income Trends	5-3
Trends in Households/Housing Units	5-4
Recent Economic Trends	5-5

TABLE OF CONTENTS (CONT'D)

	<u>PAGE NUMBER</u>
Recent Employment Trends	5-5
Factors Affecting Future Regional Economic Growth	5-5
Economic Geography	5-6
Historic Growth And Projections	5-6
The H-GAC 2040 Regional Growth Forecast	5-7
County Level Population Projections	5-8
Overall Evaluation of H-GAC Forecasts	5-8
Small Area Forecast Method Overview	5-9
Future Transportation Network Assumptions	5-9
Contact With Area Agencies And Organizations	5-9
The RAZ Level Forecasts	5-9
Distributing RAZ-Level Forecast Data To The TAZ And SAZ	5-10
Conclusions	5-10
Chapter 6 – Traffic And Toll Revenue Estimates	6-1
Traffic And Revenue Forecasting Process	6-1
The H-GAC Regional Travel Demand Model	6-2
Base Year Model Validation	6-2
Highway Network Development	6-3
Trip Table Adjustments	6-4
Toll Diversion Methodology	6-4
Values-of-Time And Vehicle Operating Costs	6-4
Toll Rates	6-5
Other Basic Assumptions	6-6
Estimated Average Weekday Traffic	6-7
Estimated 2020 Weekday Traffic	6-7
Estimated 2035 Weekday Traffic	6-7
Estimated Annual Transactions and Revenue	6-7
Disclaimer	6-10
Chapter 7 – Alterantive Traffic and Revenue	
Forecasts and Sensitivity Tests	7-1
Alternate Annual T&R Estimates – ‘Segment D Only’	7-1
Sensitivity Tests	7-3

TABLE OF CONTENTS (CONT'D)

	<u>PAGE NUMBER</u>
Higher Gas Prices	7-3
Reduced Long-Term Economic Growth	7-3
H-GAC Socio-Economics	7-4
Summary of Sensitivity Results	7-4
 Attachment A – Houston Grand Parkway Stated Preference Travel Survey Report	
 Attachment B – Grand Parkway Economic/Demographic Projections, Segments D through G	

ILLUSTRATIONS

<u>FIGURE</u>	<u>FOLLOWS PAGE</u>	
1-1	Location Map	1-1
1-2	Grand Parkway Segments	1-2
2-1	Grand Parkway Count Locations	2-1
2-2	Estimated Weekday Traffic Segment D – 2010	2-2
2-3	Day of Week Traffic Variation	2-3
2-4	Hourly Traffic Variations	2-3
2-5	Speed Delay Survey Route Map	2-4
2-6	Observed Speed Profile on SH 99 Southbound	2-7
2-7	Observed Speed Profile on SH 99 Northbound	2-8
3-1	Origin-Destination Survey Locations	3-1
3-2	Video Mailout Survey Form	3-4
3-3	Video Mailout Survey Form	3-4
3-4	Video Mailout Survey Data	3-4
3-5	Video Mailout Survey Data	3-4
3-6	Video Mailout Survey Data	3-4
3-7	Handout Survey Form	3-7
3-8	Handout Survey Data	3-7
3-9	Handout Survey Data	3-7
3-10	Handout Survey Origins and Destinations AM Peak Period	3-8
3-11	Handout Survey Origins and Destinations PM Peak Period	3-9
4-1	Stated Preference Survey Results	4-3
5-1	Houston MSA Long-Term Employment Growth Trends	5-5
5-2	RAZ Zones In The Focus Area	5-10
5-3	Population Growth Per Square Mile 2010 to 2040	5-10
5-4	Job Growth Per Square Mile 2010 to 2040	5-10
6-1	Traffic and Revenue Forecasting Process	6-1
6-2	Toll Rates – Segment D – 2012 Levels	6-5
6-3	Toll Rates – Segments E, F And G – 2012 Levels	6-5
6-4	Estimated Weekday Traffic Segment D – 2020	6-7
6-5	Toll Transactions Market Share Segment D – 2020	6-7
6-6	Estimated Weekday Traffic Segment D – 2035	6-7
6-7	Toll Transactions Market Share Segment D – 2035	6-7

TABULATIONS

<u>TABLE</u>		<u>PAGE</u>
1-1	Example of Existing and Three-Tier ORT Tolls SR 924	1-9
2-1	Grand Parkway Segment D Traffic Count Program 2010	2-2
2-2	Existing Average Speeds	2-5
2-3	Existing Average Midday Speeds	2-7
3-1	Data Elements of Origin-Destination Survey	3-2
3-2	Video Survey Locations and Schedule	3-3
3-3	Video Survey Tabulations	3-5
3-4	Survey Station Locations and Distribution	3-7
4-1	SP Survey Sources	4-3
6-1	Vehicle Operating Cost Rates	6-5
6-2	Grand Parkway Segment D – Annual Transactions and Toll Revenues at Tolled Overpasses Base Case Forecast	6-8
7-1	Grand Parkway Segment D – Annual Transactions and Toll Revenues at Tolled Overpasses Alternative Case – Segment D Only	7-2
7-2	Sensitivity Test Results	7-5

CHAPTER 1

INTRODUCTION

At the request of the Fort Bend Grand Parkway Toll Road Authority (FBGPTRA), Wilbur Smith Associates (WSA) has completed a comprehensive traffic and revenue study (T&R study) of the proposed Grand Parkway Segment D project.

The T&R study was conducted using detailed data collection conducted at numerous locations during the early-fall of 2010, new travel pattern surveys, new market research on willingness to pay tolls, and an update of the socio-economic growth potential of the region by an independent economist. Based on this detailed information, travel demand models and traffic simulation models were refined to assess the T&R potential of the project. WSA has also examined the sensitivity of T&R to changes in key assumptions of future variables. This report documents the Segment D Comprehensive T&R Study conducted at a level of detail sufficient for use in support of project financing.

In addition, as part of a joint effort with another agency, WSA is conducting a T&R study of the near term construction of Grand Parkway Segments E, F, and G, immediately to the north of Segment D. Although this other study is subject to a longer schedule and is ongoing, it has been possible to share and incorporate developing assumptions and information relating to these other complementary Grand Parkway project segments.

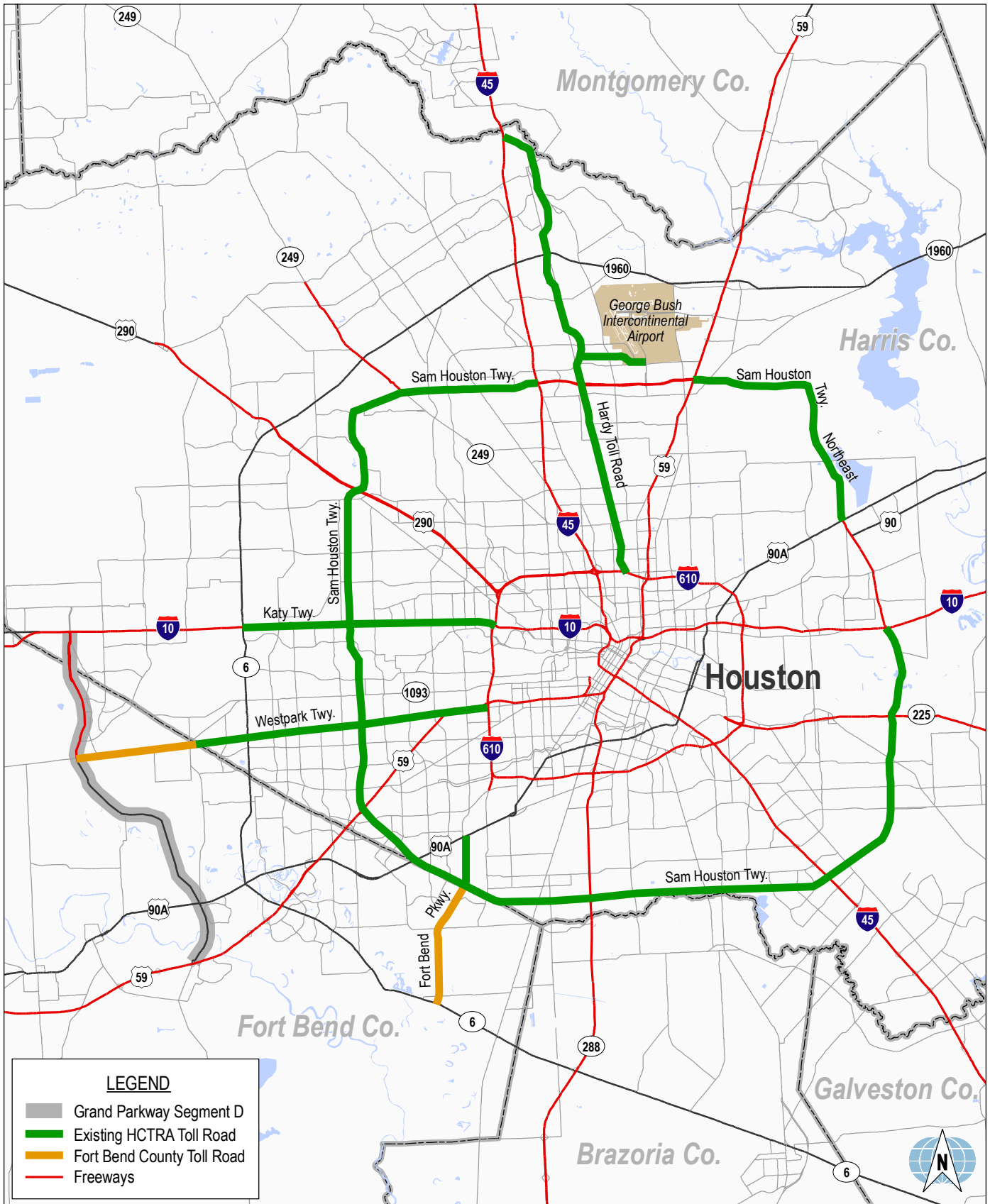
PROJECT DESCRIPTION

A location map is provided in Figure 1-1 showing the location of the existing alignment of Segment D in Fort Bend County, located west of Houston, spanning 18.5 miles between IH 10 and US 59. This first phase opened on August 31, 1994.

Currently, Segment D is constructed as SH 99, a four-lane divided state highway, except between Oyster Creek and Owens Road where a four-lane undivided highway exists. The southern portion of Segment D, between Westpark Tollway and US 59(S), has an initial configuration consisting of seven interchanges built at-grade with local cross streets; traffic signals are vehicle-actuated causing delays to through-traffic. North of

Fort Bend Grand Parkway Toll Road Authority
 Grand Parkway Segment D, Comprehensive Traffic and Revenue Study 2011

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Westpark Tollway mainline overpasses have already been built on SH 99 at all interchanges. This northern section has already seen significant growth and development which we estimate carried up to approximately 85,000 vehicles per weekday in 2010. This northern section, being existing toll-free infrastructure, will remain untolled in the future and it is assumed, apart from any necessary expansions, will retain its current configuration.

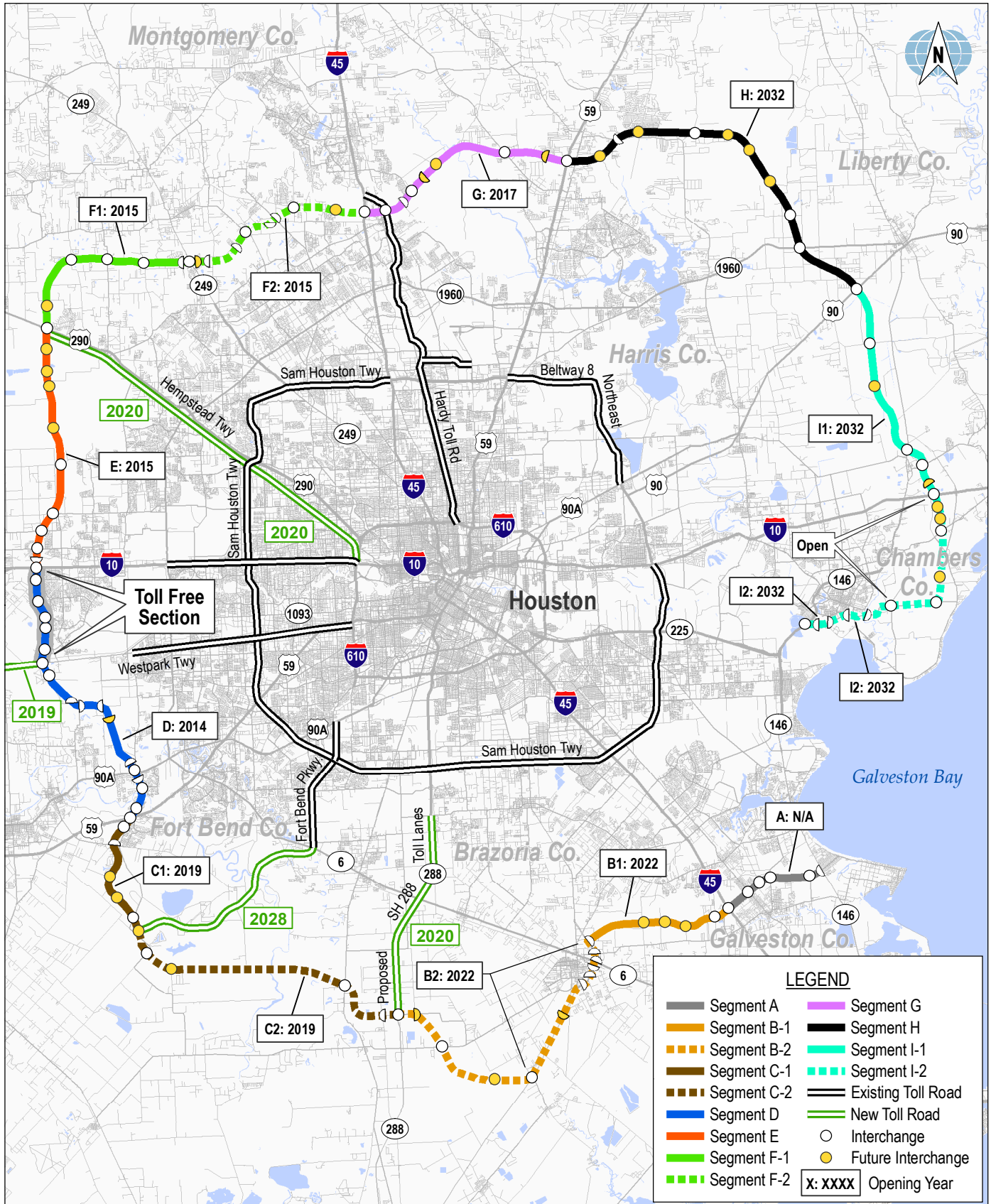
The next phase of Segment D construction will significantly improve journey times south of Westpark Tollway by adding seven new electronically tolled (ETC) mainline overpasses to provide toll-paying customers a new opportunity to bypass the at-grade signalized interchanges. Tolling locations will be situated on the overpasses such that traffic, if desired, can maintain toll-free travel on the existing infrastructure but be subject to queuing and delay at the traffic signals. Consistent with Fort Bend County's desire for ease of collection and for free-flow tolling, Segment D will be an ETC-only toll facility.

Therefore, Segment D will be completed as a four-lane divided highway with tolled overpasses. The engineering design accommodates future expansion to six-lanes as needed. The project is also envisioned as a *parkway* with a minimum of frontage roads although developers could be permitted to build a limited frontage road system to accommodate increases in local traffic.

Figure 1-2 shows the conceptual plan of the entire Grand Parkway as currently proposed. The proposed entire SH 99, Grand Parkway, is planned to be Houston's third circumferential highway approximately 180 miles around the Metropolitan Area. The roadway begins at IH-45 in Galveston and proceeds west, north, east, and south around the City. The highway is divided into nine segments. Several segments are subdivided into two sub-segments for purposes of prior analysis. The entire facility goes through Galveston, Brazoria, Fort Bend, Harris, Montgomery, Liberty, and Chambers Counties.

SOCIO-ECONOMIC AND PROJECT NEEDS

The 8-county region surrounding Houston has seen significant population growth over a sustained period. The region added almost 1 million people between 1970 and 1980 and although the rate of growth was substantially reduced by a major economic recession and restructuring which followed in the mid-1980's, the greater Houston region emerged as a much more diverse economy and strong growth resumed in the 1990s and through the beginning years of the 21st century. Today, almost 4.0 million people live in Harris County, and over 5.6 million in the total eight-county region.



Recently, the most rapidly growing counties have been Montgomery and Fort Bend, averaging about 6 percent per year in growth. Both of these counties, which had populations in the range of about 50,000 residents in 1970 have grown nine to tenfold.

This growth has resulted in ever-increasing traffic demands and the need for more and more road and highway improvement projects. Some of these projects have been identified for implementation by TxDOT, including a possible extension of the IH 10 Katy Tollway Managed Lanes to the west, an extension of the existing SH 249 Freeway in the northwestern part of the region, a new toll facility along the SH 35 corridor between Hobby Airport and Alvin and possible future managed toll lanes along IH 45 between downtown Houston and Montgomery County. This latter project would provide additional competing capacity to Hardy Toll Road, but is not yet funded or committed.

The Houston region has become a toll road success story; Harris County and more recently Fort Bend County have very successfully been able to use toll road financing in construction of new highway capacity to significantly enhance regional mobility. A review of the historic performance of these toll facilities illustrates the widespread acceptance of toll roads by the local population, high ownership of toll transponders and rapid growth that each facility has brought to the corridors that the toll facilities serve. Almost all of the facilities have experienced a doubling of full first-year traffic within about five years and quadrupling within about ten years. This significant ramp-up of toll-paying traffic is driven by the socio-economic growth outside the Sam Houston Beltway and a greater understanding of the benefits that the toll facilities provide customers.

Most recently, the growth to the west of the Metropolitan Area has been accommodated by the Westpark Tollway and Katy Tollway. The Westpark Tollway is on a capacity constrained corridor and reached capacity in peak hours within a few years of opening. The Katy Tollway managed lanes are a part of the upgraded Katy Freeway system that has provided significant additional toll and toll-free capacity to the Katy corridor resulting in a tremendous growth in development which has been visible over the past three years. The demand for the managed lanes, particularly outside the Beltway, has exceeded all expectations.

Fort Bend County Toll Road Authority (FBCTRA) built and financed the Fort Bend Parkway and the Westpark Tollway Extension. It is considering further extensions of its existing facilities. Several other potential toll roads are at various planning stages in Fort Bend County including Grand Parkway Segment D and part of Segment C. The Grand Parkway is an important facility for the County and region's mobility and development.

STUDY OBJECTIVES

The objective of the study is to develop long-range revenue forecasts through 2055 for Fort Bend's Grand Parkway Segment D. The updated forecasts reflect the latest socio-economic growth assumptions, the latest planned highway improvements for the region including other Grand Parkway segments, and updated assumptions about future toll levels and other key variables.

ORDER OF PRESENTATION

The following sections will present the methodologies and results of this comprehensive T&R study including the extensive data collection program that included traffic counts, speed and delay studies, traffic profiles of existing conditions, origin-destination surveys, stated preference and market research efforts, an independent socio-economic analysis, an updating of the computerized travel demand model, estimation of local Values of Time (VOT), a review of toll collection operations and the traffic and revenue forecasts, themselves.

In addition to the base case forecast, which assumes a full build-out of the entire Grand Parkway, an alternative case 'Segment D Only' is presented. This assumes Segment D will be constructed alone without the impact of the other adjacent segments of the Grand Parkway. Although this is considered a very unlikely scenario it does illustrate the toll feasibility of Segment D as a standalone project.

This is followed up with several sensitivity analyses that identify the impacts of changes in various key assumptions, specifically a range of socio-economic growth and higher gasoline price assumptions. To add to the sensitivity tests on economic growth a scenario using the current but outdated H-GAC (MPO) socio-economic forecasts is presented to assess the impact of the updated base case growth assumptions provided by the independent economist for this study.

CHAPTER 2

DATA COLLECTION AND EXISTING CONDITIONS

In order to understand current traffic conditions and traffic profiles on the existing Grand Parkway Segment D and the roadway system in the surrounding area, extensive data collection efforts were undertaken. A series of data collection exercises were conducted in late August and early September 2010 in the Segment D corridor including collection of traffic count data on the existing Segment D and ‘speed and delay’ studies.

A series of 48-hour traffic counts were conducted in order to obtain a complete traffic profile for existing Segment D. The count data was reviewed and analyzed for use in the model calibration process explained in detail in following sections of this report.

A large amount of speed and delay data was collected for the model calibration process. This data was collected during several time periods throughout different periods of the day. This chapter of the report explains the data collection activities and presents the results of the data collection.

EXISTING SEGMENT D TRAFFIC COUNTS

In order to obtain current traffic profiles on the existing Segment D, automatic traffic counts were conducted on all mainline sections and entry/exit ramps on the existing 18.5 miles of the Segment D corridor. Figure 2-1 shows these locations on a map of the study area. Details of the traffic count locations are shown in Table 2-1.

The traffic counts were conducted by a subcontractor, CJ Hensch, a traffic data collection company, for the weekdays of August 31 and September 1, 2010, i.e. Tuesday and Wednesday. At two Segment D mainline locations, a full week’s count program was conducted to observe daily variation of traffic. At 20 count locations, an average weekday traffic volume was obtained from a 48-hour count. At ramps to/from South Fry Road, an additional 24-hour count was conducted to verify on/off movements.

Fort Bend Grand Parkway Toll Road Authority
 Grand Parkway Segment D, Comprehensive Traffic and Revenue Study 2011

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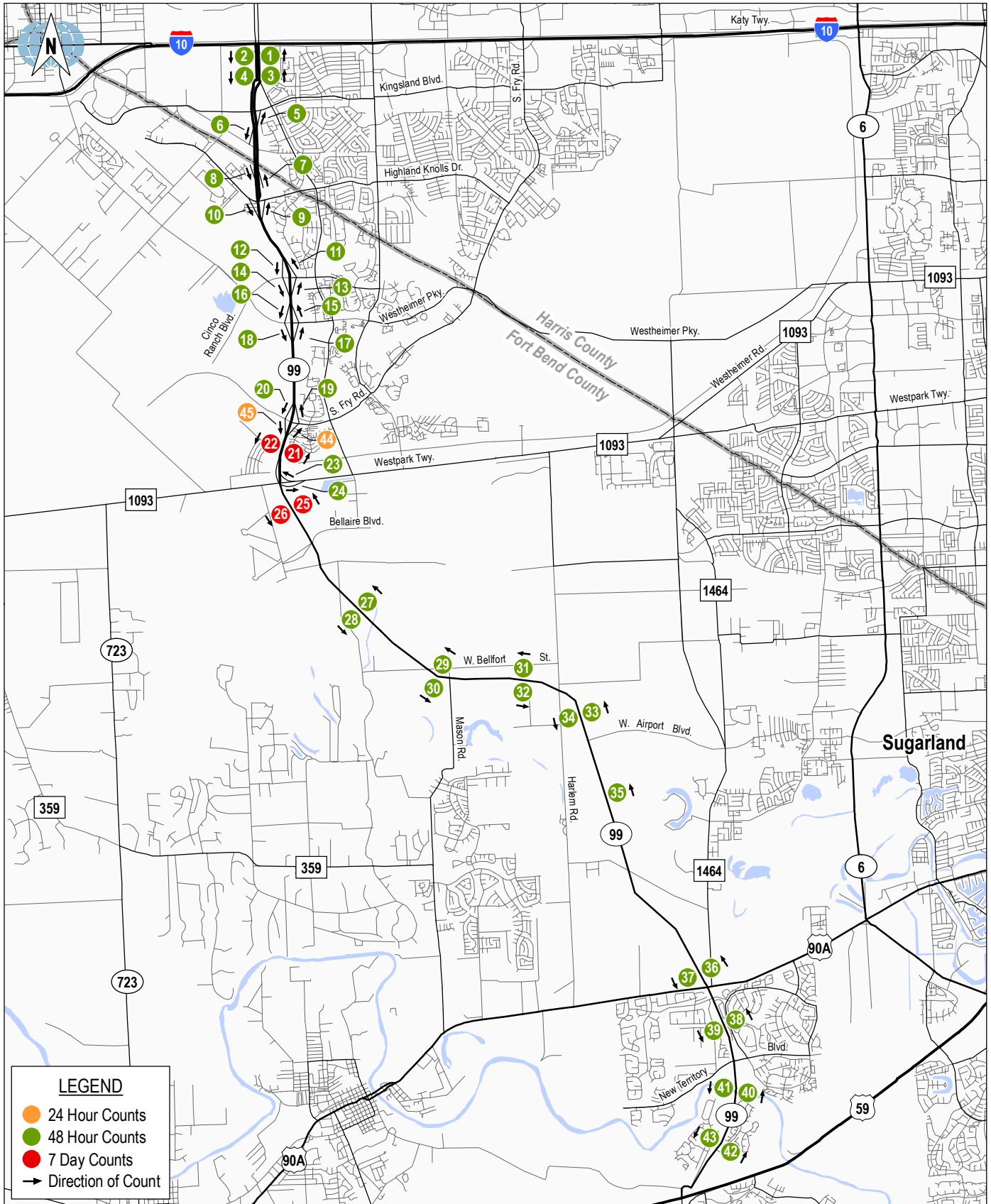
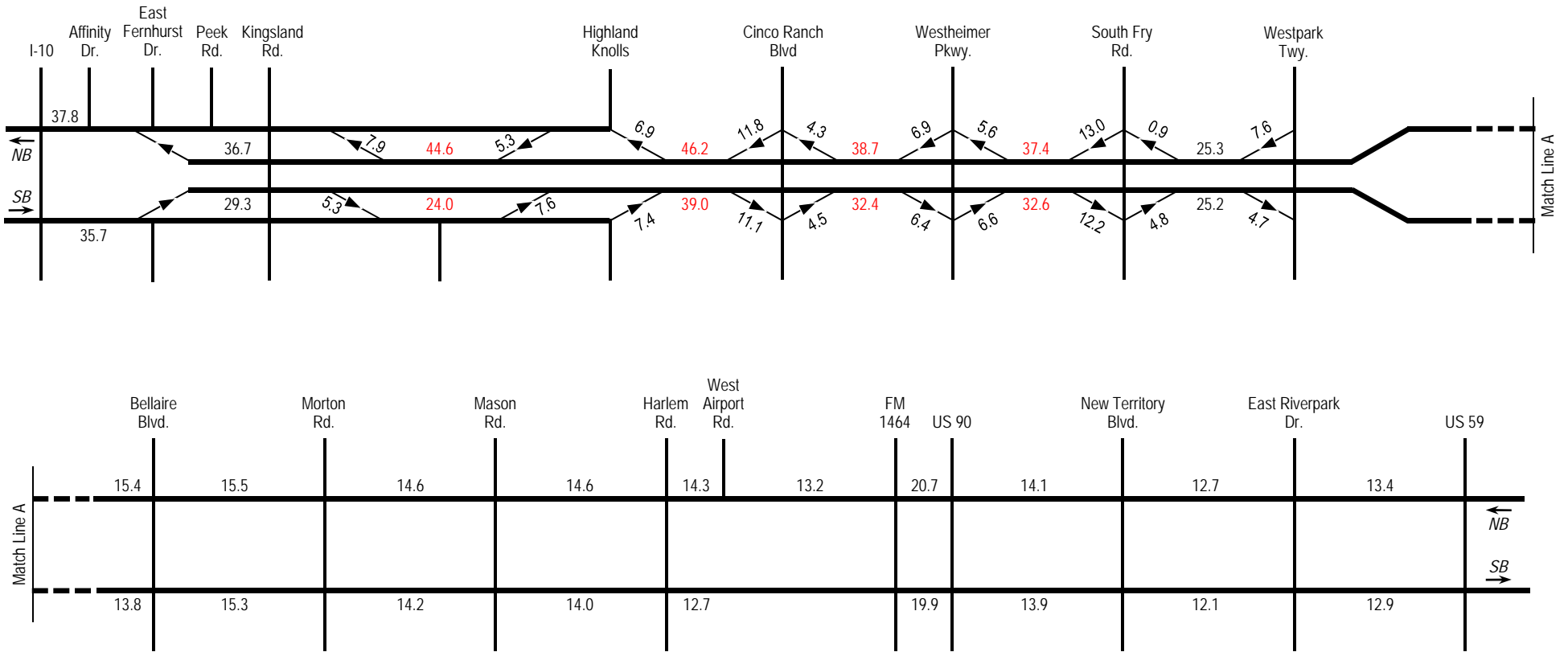


Table 2-1
Grand Parkway Segment D Traffic Count Program 2010

Loc.	Name	Description	Dir	Count Date (Period)	Count Type
1	SH 99	b/w Affinity Dr & IH-10	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
2	SH 99	b/w Affinity Dr & IH-10	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
3	SH 99 mainlane	b/w Femhurst Dr & Kingsland Blvd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
4	SH 99 mainlane	b/w Femhurst Dr & Kingsland Blvd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
5	Off-ramp	SH 99 to Kingsland Blvd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
6	Off-ramp	SH 99 to Katy Fort Bend Rd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
7	On-ramp	Highland Knolls to SH 99	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
8	On-ramp	Katy Fort Bend Rd to SH 99	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
9	Off-ramp	SH 99 to Highland Knolls	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
10	On-ramp	Bay Hill Blvd to SH 99	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
11	On-ramp	Cinco Ranch Blvd to SH 99	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
12	Off-ramp	SH 99 to Cinco Ranch Blvd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
13	Off-ramp	SH 99 to Cinco Ranch Blvd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
14	On-ramp	Cinco Ranch Blvd to SH 99	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
15	On-ramp	Westheimer Pkwy to SH 99	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
16	Off-ramp	SH 99 to Westheimer Pkwy	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
17	Off-ramp	SH 99 to Westheimer Pkwy	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
18	On-ramp	Westheimer Pkwy to SH 99	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
19	On-ramp	S Fry Rd to SH 99	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
20	Off-ramp	SH 99 to S Fry Rd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
21	SH 99 mainlane	b/w FM 1093 & S Fry Rd	NB	Fri-Thu 8/27/10-9/02/10 (7 day)	Tube volume count
22	SH 99 mainlane	b/w FM 1093 & S Fry Rd	SB	Fri-Thu 8/27/10-9/02/10 (7 day)	Tube volume count
23	On-ramp	FM 1093 to SH 99	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
24	Off-ramp	SH 99 to Westpark Tollway	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
25	SH 99	b/w Bellaire Blvd & FM 1093	NB	Fri-Thu 8/27/10-9/02/10 (7 day)	Tube volume count
26	SH 99	b/w Bellaire Blvd & FM 1093	SB	Fri-Thu 8/27/10-9/02/10 (7 day)	Tube volume count
27	SH 99	b/w Morton Rd & Bellaire Blvd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
28	SH 99	b/w Morton Rd & Bellaire Blvd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
29	SH 99	b/w Mason Rd & Morton Rd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
30	SH 99	b/w Mason Rd & Morton Rd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
31	SH 99	b/w Harlem Rd & Mason Rd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
32	SH 99	b/w Harlem Rd & Mason Rd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
33	SH 99	b/w W Airport Blvd & Harlem Rd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
34	SH 99	b/w FM 1464 Rd & Harlem Rd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
35	SH 99	b/w FM 1464 & W Airport Blvd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
36	SH 99	b/w US 90A & FM 1464	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
37	SH 99	b/w US 90A & FM 1464	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
38	SH 99	b/w New Territory Blvd & US 90A	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
39	SH 99	b/w New Territory Blvd & US 90A	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
40	SH 99	b/w E Riverpark Dr & New Territory Blvd	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
41	SH 99	b/w W Riverpark Dr & New Territory Blvd	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
42	SH 99	b/w US 59 & E Riverpark Dr	NB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
43	SH 99	b/w US 59 & E Riverpark Dr	SB	Tue-Wed 8/31/10-9/01/10 (48 hour)	Tube volume count
44	Off-ramp	SH 99 to S Fry Rd	NB	Thu 10/21/10 (24 hour)	Tube volume count
45	On-ramp	S Fry Rd to SH 99	SB	Thu 10/21/10 (24 hour)	Tube volume count

The collected traffic count data was reviewed and analyzed for use in the model calibration process. Figure 2-2 presents a schematic summarizing the estimated 2010 weekday traffic profile for existing Segment D, showing daily traffic estimates, in thousands, on each link.



LEGEND

00.0 Traffic Count Volume

00.0 Computed Traffic Volume

Note: Traffic volumes are in thousands.

Source: WSA traffic count program fall of 2010.

**ESTIMATED WEEKDAY TRAFFIC
SEGMENT D - 2010**

DAILY TRAFFIC VARIATION

As mentioned above, during the count program conducted by CJ Hensch, on existing Segment D, during the end of August through early September 2010, two locations on existing Segment D were identified just north and south of Westpark Tollway to capture 7-day traffic counts. This was done for the week beginning from August 27 (Friday), 2010 through September 3 (Thursday), 2010.

Figure 2-3 shows the daily traffic variation for the week for the two locations. It can be seen, from Figure 2-3, that traffic during the three middle weekdays was slightly above the average daily traffic of the week. Maximum traffic was observed on the Friday, with Sunday being the minimum traffic activity day. Traffic volume on Saturday was very close to the average daily traffic.

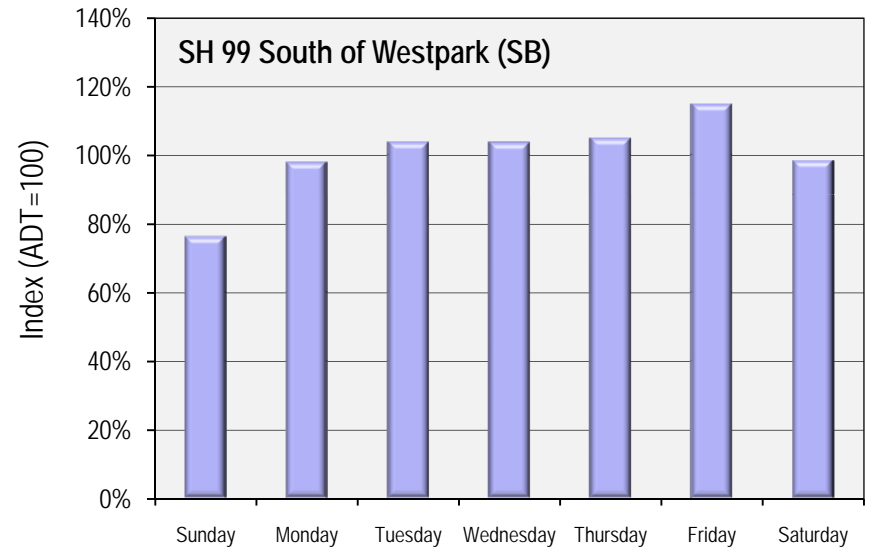
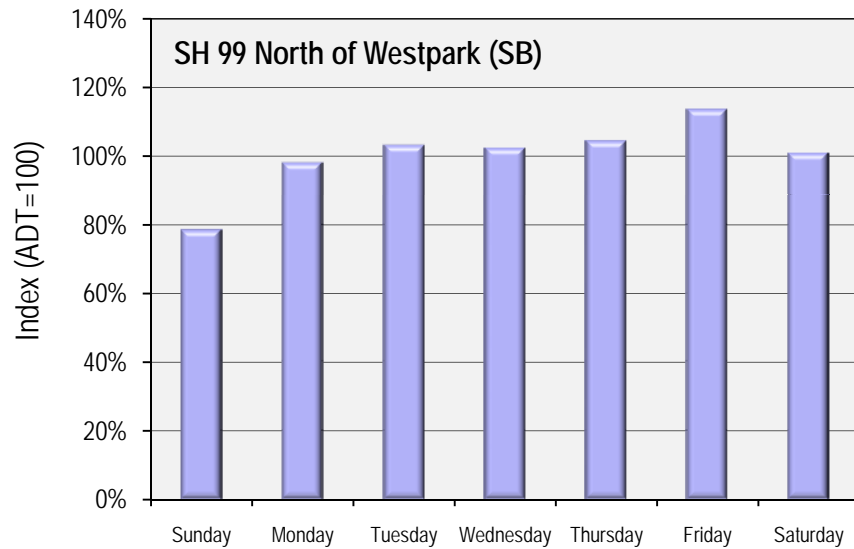
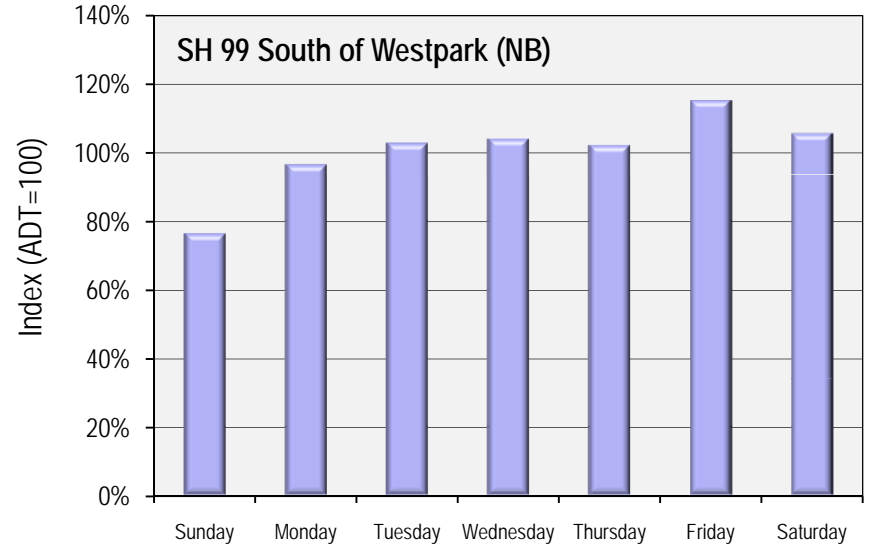
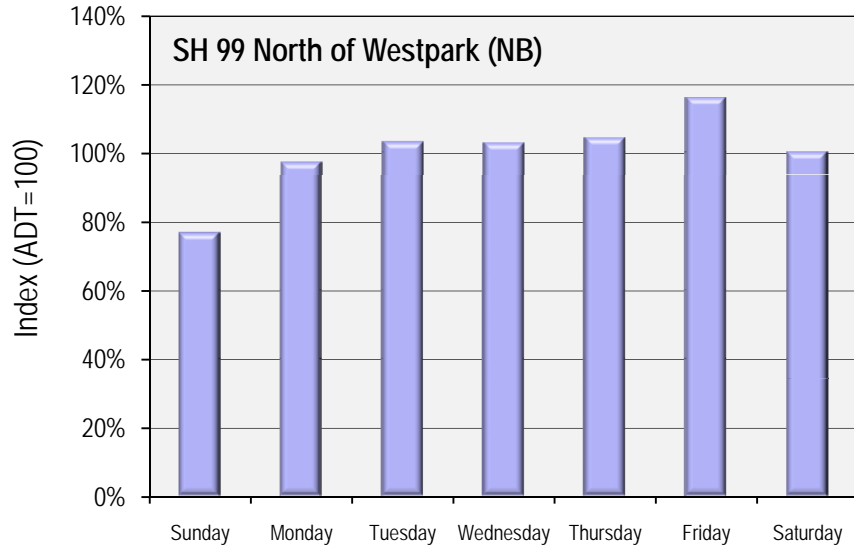
Monday was just below the average daily traffic with 97 percent of the average daily traffic volume. Traffic volume on Tuesday, Wednesday and Thursday was above the average daily traffic in the range of 102 to 105 percent. Friday had the maximum traffic activity, carrying almost 115 percent of the average daily traffic for the week. Traffic volume on Saturday was very close to the average daily traffic on the north side of the Westpark Tollway, however the count location on the south side showed an index of 105 percent in the northbound direction and 98 percent in the southbound direction for Saturday.

HOURLY TRAFFIC VARIATION

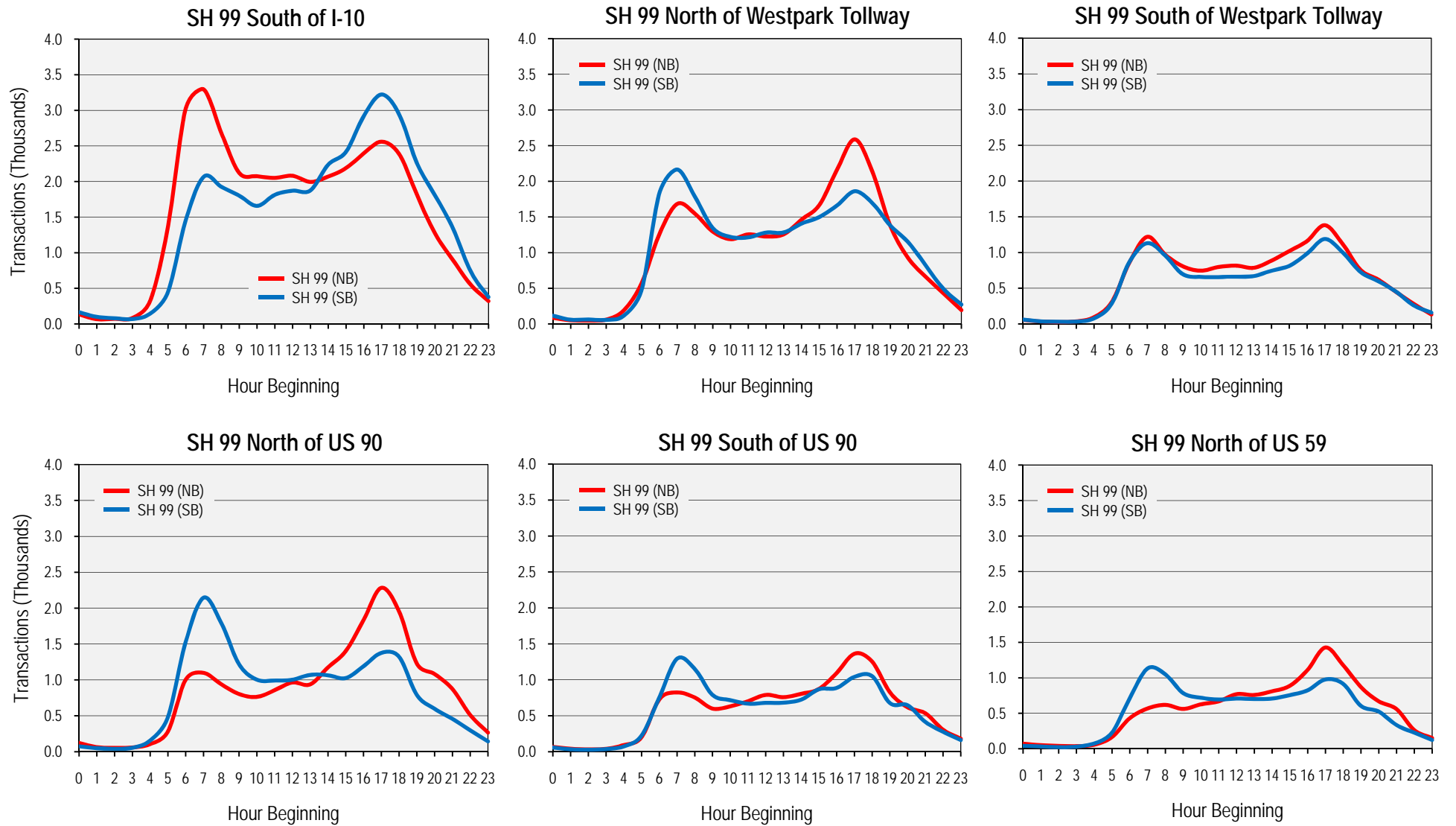
Figure 2-4 presents a graphical summary of hourly traffic counts observed at several sections of Segment D, during the count program. The figure presents hourly volume profiles on the mainline of Grand Parkway Segment D, at the major intersections of I.H. 10, Westpark Tollway, U.S. 90A and U.S. 59. Typically the northbound afternoon peak hour was higher than the southbound morning peak hour at all locations except at the north end of Segment D before its intersection with IH-10. At that location, the northbound morning peak hour was higher than the southbound morning peak hour, while the southbound afternoon peak hour was higher than the northbound afternoon peak hour, but still slightly lower than the northbound morning peak hour.

SPEED AND DELAY PROFILE

In order to understand the nature of traffic operations on the corridor and the surrounding highway network, speed and delay studies were conducted. This is a critical input for model calibration and validation.



Source: WSA traffic count program fall of 2010.



Source: WSA traffic count program fall of 2010.

WSA collected a large amount of speed data for the existing portion of Grand Parkway Segment D and complementary/competing routes. Information was collected by traveling on the routes under consideration during AM peak (6:30 AM – 8:30 AM) and shoulder hours (8:30 AM – 9:30 AM), Midday (11:00 AM – 2:00 PM) and PM peak (4:30 PM – 6:30 PM) and shoulder periods (3:30 PM – 4:30 PM). GPS units were used to record data continuously during each trip. Since the exact location and time of each vehicle were known for each datum, the travel speeds and delays were known along each route. Speed and delay data was collected during the period of September 14, 2010 (Tuesday) through September 16, 2010 (Thursday).

The studies covered the following key routes in addition to the existing portion of Grand Parkway Segment D. Figure 2-5 shows a map that highlights the routes covered in the speed and delay studies.

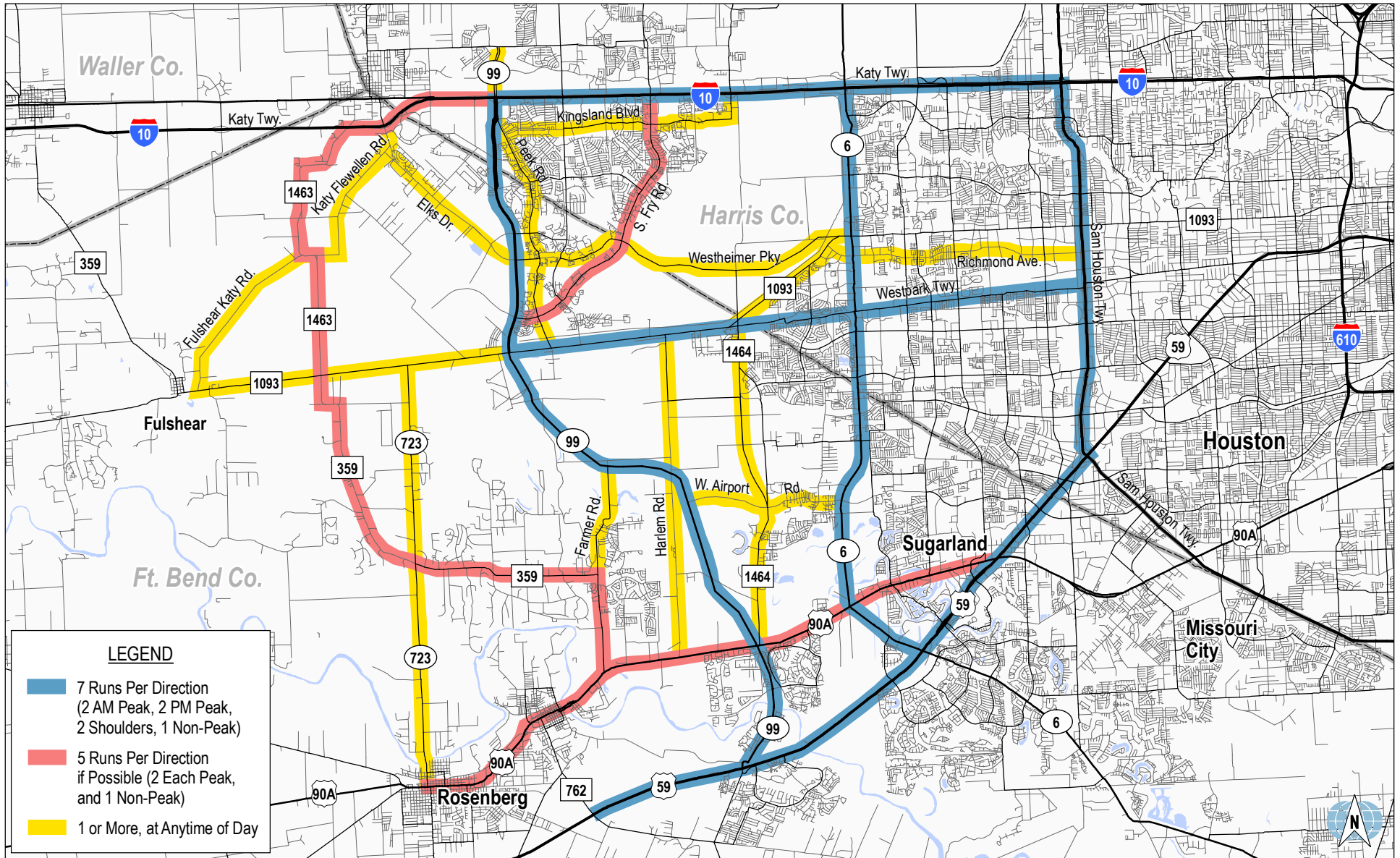
- I.H. 10 between Sam Houston Tollway and west of Grand Parkway;
- Westpark Tollway between Sam Houston Tollway and the town of Fulshear;
- US 90A between US 59 and the city of Rosenberg;
- US 59 between Sam Houston Tollway and FM 762 south of the city of Rosenberg;
- Sam Houston Tollway between IH-10 and US 59;
- SH 6 between IH-10 and US 59;
- South Fry Road between IH-10 and the Grand Parkway; and
- FM 1463 / FM 359 between IH-10 and US 90A.

In parallel to the speed and delay studies, route reconnaissance was conducted to inventory key attributes on the Grand Parkway and major competing/complimentary routes, including number of lanes and posted speeds.

Speed delay runs were made on exactly 100 roadway segments. On sixty-two of these roadway segments, runs were done during the morning and afternoon peak periods as well as during the mid day period. For six of the sixty-two, runs were also done during the morning and afternoon shoulder periods. Table 2-2 shows the locations, directions and average speeds of these runs.

There were three segments with morning peak hour average speeds of less than 20 miles per hour. These were IH-10, eastbound, between the Sam Houston Tollway and State Highway 6; IH-10, eastbound, between State Highway 6 and South Fry Road; and State Highway 6, northbound, between West Park Tollway and IH-10. Also in the morning peak period, there were five segments with average speeds of less than 30 miles per hour. These included segments on US 90A (1), Grand Parkway (1), South Fry Road (2), and West Park Tollway (1).

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**Table 2-2
Existing Average Speeds**

Route	From	To	Direction	Average Speed (MPH)				
				AM Peak	AM Shoulder	Midday	PM Shoulder	PM Peak
IH-10	Sam Houston Twy	State Hwy 6	EB	16.8	36.8	57.2	55.6	53.7
IH-10	Sam Houston Twy	State Hwy 6	WB	58.6	60.7	61.3	59.0	32.1
IH-10	State Hwy 6	South Fry Road	EB	14.4	67.7	66.4	67.6	68.3
IH-10	State Hwy 6	South Fry Road	WB	65.3	68.8	65.5	64.0	50.8
IH-10	South Fry Road	State Hwy 99	EB	40.1	73.9	65.9	65.6	66.9
IH-10	South Fry Road	State Hwy 99	WB	68.1	68.9	66.3	68.4	63.4
US 59	Sam Houston Twy	US 90A	NB	35.8		50.4		65.0
US 59	Sam Houston Twy	US 90A	SB	70.7		68.2		60.1
US 59	US 90A	State Hwy 6	NB	46.1		68.6		67.1
US 59	US 90A	State Hwy 6	SB	72.2		68.5		66.1
US 59	State Hwy 6	State Hwy 99	NB	68.7		71.6		69.7
US 59	State Hwy 6	State Hwy 99	SB	71.4		69.1		68.8
US 59	State Hwy 99	FM 762	NB	65.2		68.5		67.0
US 59	State Hwy 99	FM 762	SB	66.3		64.7		59.0
US 90A	Sam Houston Twy	US 90A	EB	36.5		40.3		28.7
US 90A	Sam Houston Twy	US 90A	WB	34.7		30.5		27.7
US 90A	US 90A	State Hwy 6	EB	37.2		47.7		35.1
US 90A	US 90A	State Hwy 6	WB	43.7		38.9		30.4
US 90A	State Hwy 6	State Hwy 99	EB	27.6		47.1		43.6
US 90A	State Hwy 6	State Hwy 99	WB	36.5		43.1		47.9
US 90A	State Hwy 99	FM 762	EB	40.8		50.8		48.4
US 90A	State Hwy 99	FM 762	WB	33.5		38.3		40.9
State Hwy 99	IH-10	Westpark Twy	NB	62.5		63.1		61.5
State Hwy 99	IH-10	Westpark Twy	SB	61.1		62.8		63.3
State Hwy 99	Westpark Twy	Morton Road	NB	44.8		52.3		45.7
State Hwy 99	Westpark Twy	Morton Road	SB	45.3		49.2		47.7
State Hwy 99	Morton Road	Harlem Road	NB	44.7		49.6		38.9
State Hwy 99	Morton Road	Harlem Road	SB	23.3		42.4		41.1
State Hwy 99	Harlem Road	US 90A	NB	61.8		51.0		49.0
State Hwy 99	Harlem Road	US 90A	SB	43.3		52.9		52.4
State Hwy 99	US 90A	US 59	NB	32.3		37.7		34.3
State Hwy 99	US 90A	US 59	SB	35.8		29.7		31.7
Sam Houston Twy	IH-10	Westpark Twy	NB	65.5		70.5		54.4
Sam Houston Twy	IH-10	Westpark Twy	SB	66.7		65.9		64.7
Sam Houston Twy	Westpark Twy	US 59	NB	69.5		71.6		66.9
Sam Houston Twy	Westpark Twy	US 59	SB	67.1		63.1		32.8
State Hwy 6	US 59	US 90	NB	47.5		45.9		39.4
State Hwy 6	US 59	US 90	SB	33.7		29.9		29.9
State Hwy 6	US 90	Westpark Twy	NB	38.9		50.4		35.2
State Hwy 6	US 90	Westpark Twy	SB	44.7		46.8		35.2
State Hwy 6	Westpark Twy	IH-10	NB	16.3		43.0		30.6
State Hwy 6	Westpark Twy	IH-10	SB	38.3		45.3		29.2
FM 359	US 90A	Farmer Road	NB	36.9		34.6		18.1
FM 359	US 90A	Farmer Road	SB	37.5		33.4		27.8
FM 359	Farmer Road	FM 723	NB	41.1		45.2		46.2
FM 359	Farmer Road	FM 723	SB	40.2		47.9		44.4
FM 359	FM 723	FM 1093	NB	48.4		56.7		52.3
FM 359	FM 723	FM 1093	SB	53.0		49.6		52.7
IH-10 & FM 1643	State Hwy 99	FM 1463	NB	59.5		54.9		64.3
IH-10 & FM 1643	State Hwy 99	FM 1463	SB	48.9		58.2		59.9
IH-10 & FM 1643	IH-10	Fulshear Katy	NB	46.3		42.0		48.0
IH-10 & FM 1643	IH-10	Fulshear Katy	SB	48.5		52.4		49.8
IH-10 & FM 1643	Fulshear Katy	FM 1093	NB	54.9		61.6		55.8
IH-10 & FM 1643	Fulshear Katy	FM 1093	SB	50.9		56.3		53.3
South Fry Road	State Hwy 99	Westheimer Pkwy	NB	28.5		30.8		32.0
South Fry Road	State Hwy 99	Westheimer Pkwy	SB	32.0		28.1		26.4
South Fry Road	Westheimer Pkwy	IH-10	NB	20.7		24.9		24.1
South Fry Road	Westheimer Pkwy	IH-10	SB	30.1		31.5		23.0
Westpark Twy	Sam Houston Twy	State Hwy 6	EB	25.4		65.7		68.4
Westpark Twy	Sam Houston Twy	State Hwy 6	WB	64.5		69.7		59.5
Westpark Twy	State Hwy 6	State Hwy 99	EB	34.8		70.5		71.9
Westpark Twy	State Hwy 6	State Hwy 99	WB	64.9		69.9		70.2

During the afternoon peak period, there was one segment with an average speed less than 20 miles per hour. This was on FM 359, northbound, between US 90A and Farmer Road. Segments under 30 miles per hour numbered eight and included segments on US 90A (2), State Highway 6 (2), FM 359 (1), and South Fry Road (3).

Midday average speeds were, in general, higher than the peak period speeds. There were no average speeds under 20 miles per hour recorded in the survey during this time. There were four segments with average speeds less than 30 miles per hour. These included segments on Grand Parkway (1), State Highway 6 (1), and South Fry Road (2).

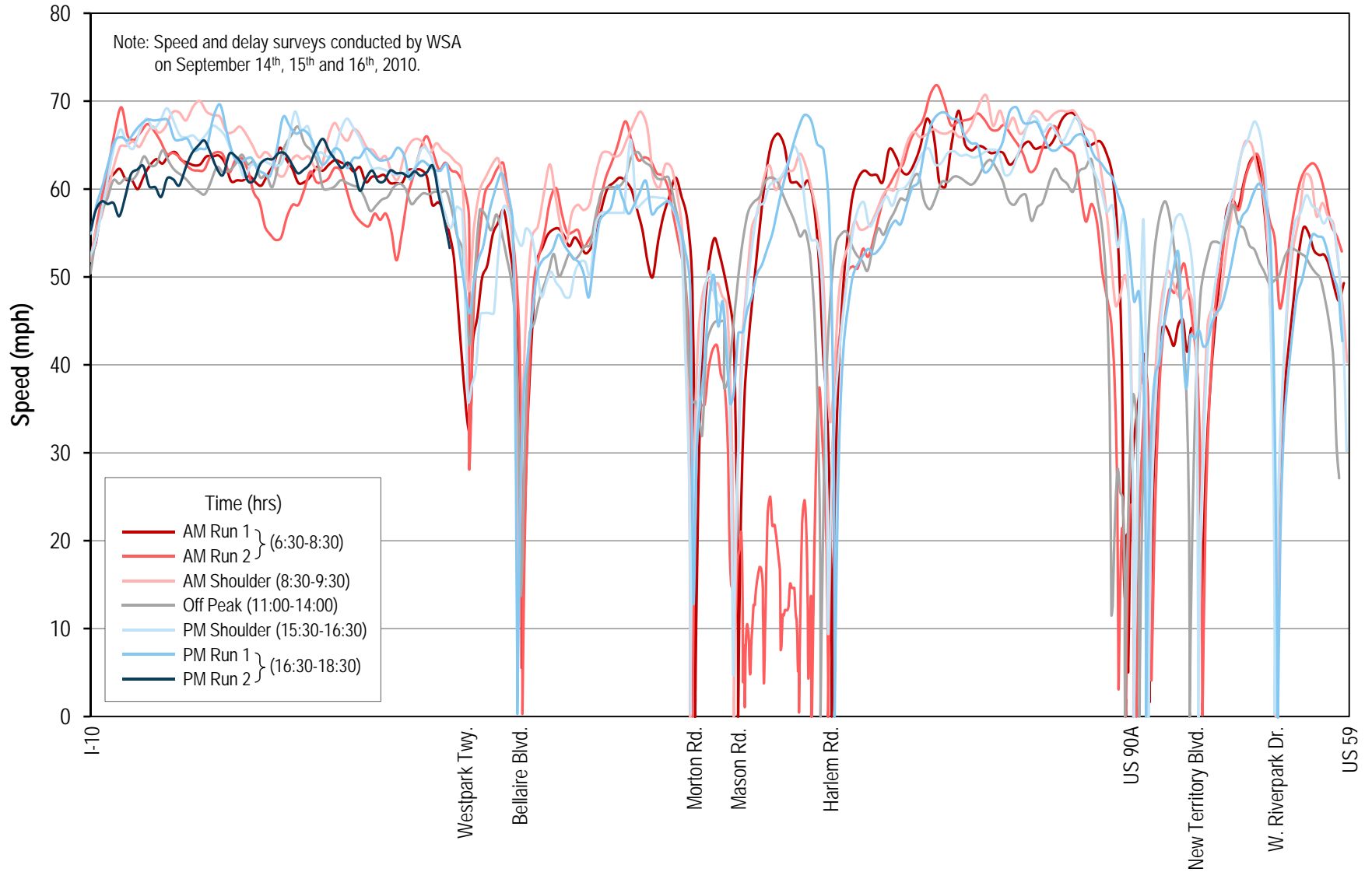
Average speeds on the six segments that were run during the morning and afternoon shoulder periods were, with one exception, all over 55 miles per hour. Five of the six morning shoulder runs had average speeds of over 60 miles per hour. Four of six had average speeds of over 60 miles per hour in the afternoon shoulder hours.

Of the 38 segments where only midday speed and delay runs were made (Table 2-3), there were none with average speeds less than 20 miles per hour and eight with average speeds less than 30 miles per hour, including segments on Kingsland Boulevard (3), Peek Road (1), Richmond Avenue (1), West Airport (2), and Westheimer Parkway (1).

Figure 2-6 is the Speed Profile for Grand Parkway (SH 99), southbound, from IH-10 to US 59. Speeds were generally in the 60-70 mile-per-hour band until the approach to West Park Tollway. Close to West Park speeds drop to the mid and low 30 miles per hour for the morning, afternoon and off peak periods. Between West Park and Bellaire Boulevard, speeds increase the low 60's for both peaks and then fall again as they approach Bellaire Boulevard. At Bellaire, there is stop-and-go conditions during both AM and PM peaks and the off peak falls below 20 miles per hour.

Speeds increase to between 50 and 70 mile per hour between Bellaire and Morton Road, where there is another slowdown to stop-and-go during both AM and PM peaks. The off peak traffic slows to about 32 miles per hour at this point.

Between Morton Road and Mason Road traffic speeds increase to the 40-50 mile-per-hour band before slowing again near Mason Road. AM peak and shoulder traffic slows to stop-and-go at Mason Road and the PM shoulder traffic drops to about 5 miles per hour. PM peak and off peak traffic only slow down to 35-37 miles per hour at Mason Road.



**Table 2-3
Existing Average Midday Speeds**

Route	From	To	Direction	Average Speed
				(MPH) Midday
FM 1093	State Hwy 6	Westpark Twy	WB	35.7
FM 1464	State Hwy 99	West Airport	NB	36.6
FM 1464	State Hwy 99	West Airport	SB	41.2
FM 1464	West Airport	FM 1093	NB	37.5
FM 1464	West Airport	FM 1093	SB	43.0
Farmer/Mason Rd	FM 359	Skinner Lane	NB	47.2
Farmer/Mason Rd	Skinner Lane	State Hwy 99	NB	32.0
Katy Flewellen	IH-10	FM 359	NB	32.8
Katy Flewellen	IH-10	FM 359	SB	32.7
Fulshear Katy	FM 1463	FM 1093	NB	32.2
Fulshear Katy	FM 1463	FM 1093	SB	30.3
Harlem Road	US 90A	State Hwy 99	NB	35.7
Harlem Road	US 90A	State Hwy 99	SB	40.7
Harlem Road	State Hwy 99	FM 1093	NB	40.5
Harlem Road	State Hwy 99	FM 1093	SB	34.8
Kingsland Blvd	State Hwy 99	South Mason Rd	EB	28.9
Kingsland Blvd	State Hwy 99	South Mason Rd	WB	33.4
Kingsland Blvd	South Mason Rd	South Fry Road	EB	28.8
Kingsland Blvd	South Mason Rd	South Fry Road	WB	21.4
Kingsland Blvd	South Fry Road	IH-10	EB	34.6
Kingsland Blvd	South Fry Road	IH-10	WB	33.9
Peek Road	IH-10	Franz Road	NB	37.8
Peek Road	IH-10	Franz Road	SB	48.2
Peek Road	Westheimer Pkwy	State Hwy 99	NB	27.7
Peek Road	Westheimer Pkwy	State Hwy 99	SB	33.9
Peek Road	Westpark Twy	Westheimer Pkwy	NB	32.9
Peek Road	Westpark Twy	Westheimer Pkwy	SB	33.9
Richmond Ave	State Hwy 6	Sam Houston Twy	EB	20.7
W. Airport	State Hwy 6	FM 1464	EB	24.6
W. Airport	State Hwy 6	FM 1464	WB	22.5
W. Airport	FM 1464	State Hwy 99	EB	39.5
W. Airport	FM 1464	State Hwy 99	WB	35.2
Westheimer Pkwy	State Hwy 99	South Fry Road	EB	23.3
Westheimer Pkwy	South Fry Road	Barker Cypress	EB	48.7
Westpark Twy	State Hwy 99	FM 1464/FM 359	EB	49.3
Westpark Twy	State Hwy 99	FM 1464/FM 359	WB	40.4
Westpark Twy	FM 1464/FM 359	Fulshear Katy	EB	44.9
Westpark Twy	FM 1464/FM 359	Fulshear Katy	WB	37.5

Between Mason Road and Harlem Road, AM peak traffic from Run 1 does get above 25 miles per hour. At all other time periods, traffic quickly increases to speeds over 60 miles per hour before dropping again as it nears Harlem Road. It's stop-and-go until passing Harlem Road where speeds quickly jump to the 50-60 mile-per-hour band and gradually increase into the 60-70 mile-per-hour zone. Speeds remain high until the approach to US 90A where they fall into the 0-10 mile-per-hour range. AM, PM, and off peak traffic falls all the way into stop-and-go conditions. Speeds again pick up into the 40-50 mile-per-hour band until New Territory Boulevard. Traffic in the AM peak, PM shoulder, and off peak are stopped. During the other time periods, vehicles go by New Territory Blvd in the 40-50 mile-per-hour band. Speeds then increase to over 60 miles per hour to West Riverpark Drive. At that point, in the afternoon peak, stoppages occur, while the other vehicles operate in the 50-60 mile-per-hour range and higher until the approach to US 59.

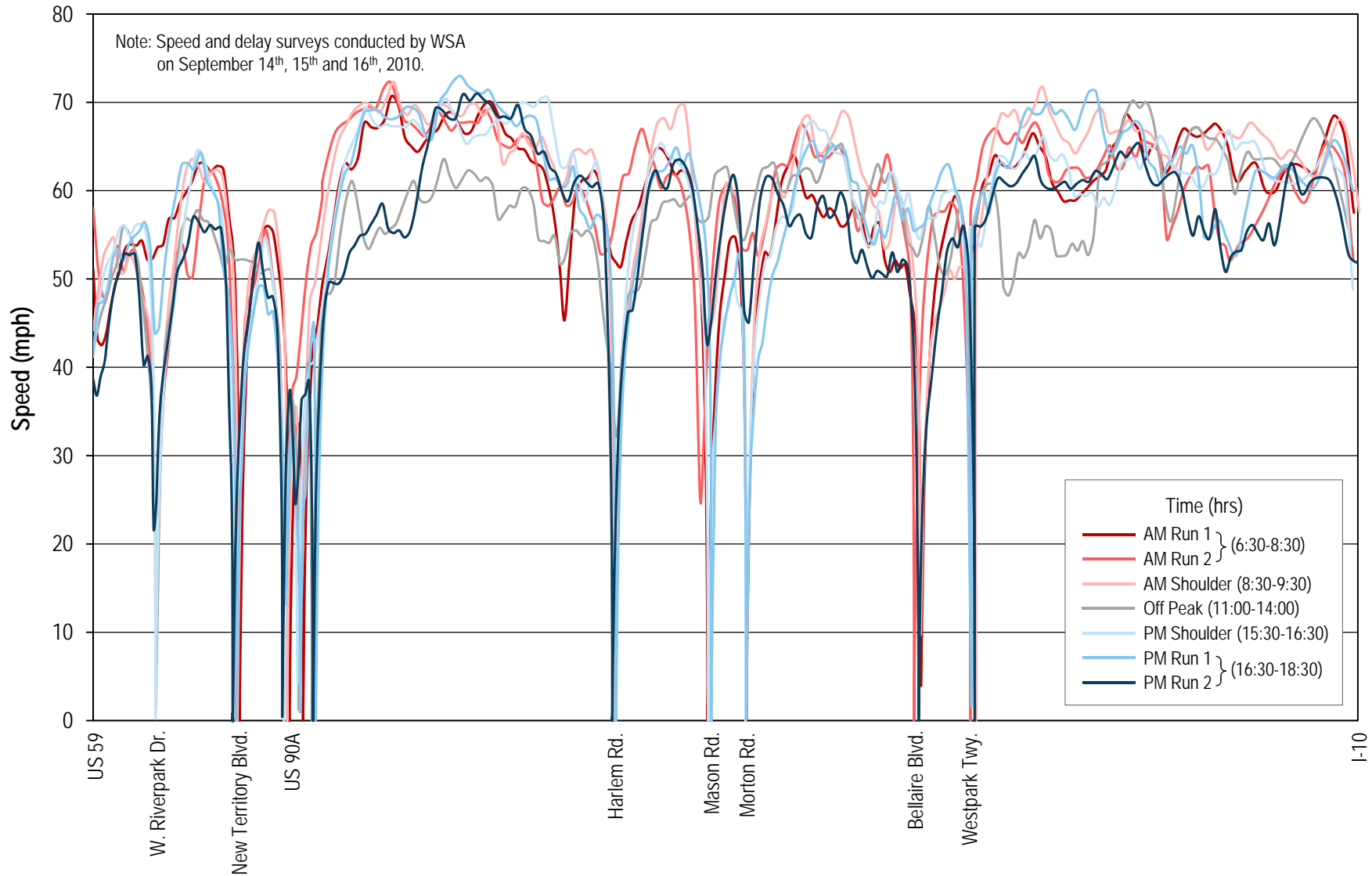
Traffic signals at the major intersections of State Highway 99 cause speed reductions and stoppages along the roadway. Recovery to highway speeds occurs relatively quickly, except for one instance for the short distance between Mason Road and Harlem Road in the AM peak when speeds did not increase any higher than 25 miles per hour.

Figure 2-7 shows the speed profile on Grand Parkway (SH 99), northbound, from US 59 to IH-10. Similar to the southbound profile, traffic seems to move in the 50-70 mile-per-hour range between intersections. In the northbound direction there are less stoppages in the morning and off peak periods. Stoppages due to the traffic signals are more frequent during the afternoon peak period. There are stoppages during both AM and PM peaks at the intersections of New Territory Boulevard, US 90A and Bellaire Boulevard.

EXISTING SITUATION, KEY FINDINGS

A number of key conclusions can be drawn from the existing traffic profile and speed-delay data:

- There are large traffic volumes on Segment D north of Westpark Tollway consistent with the more significant growth of residential and retail developments facilitated by free-flow mainline overpasses;
- Traffic is significantly lower south of Westpark where development growth has not yet occurred and signalized interchanges are restricting mobility compared to its potential; and
- A significant probability of delay occurs at the seven signalized interchanges south of Westpark Tollway. The probability and duration of delay at traffic signals will deteriorate as local traffic increases.



CHAPTER 3

TRAVEL PATTERN SURVEYS

In order to understand the travel patterns and characteristics of motorists in the west Houston region, origin and destination (O-D) surveys of the facility's patrons were conducted. The origin-destination surveys were completed in late August 2010 using a combination of handout/mailback surveys and video license plate surveys of the motorists on existing Segment D. These surveys were also accompanied by a traffic counting program at each survey sites, to be used for factoring survey samples, so that the data could be used as input into the modeling future travel demand.

Several locations were identified on the existing Segment D corridor and its vicinity to capture license plates using video cameras and to hand out survey cards to drivers. Figure 3-1 is a map of the survey area showing where the video captures took place, where the mailback handouts were given out, and where automatic traffic volume counts were recorded.

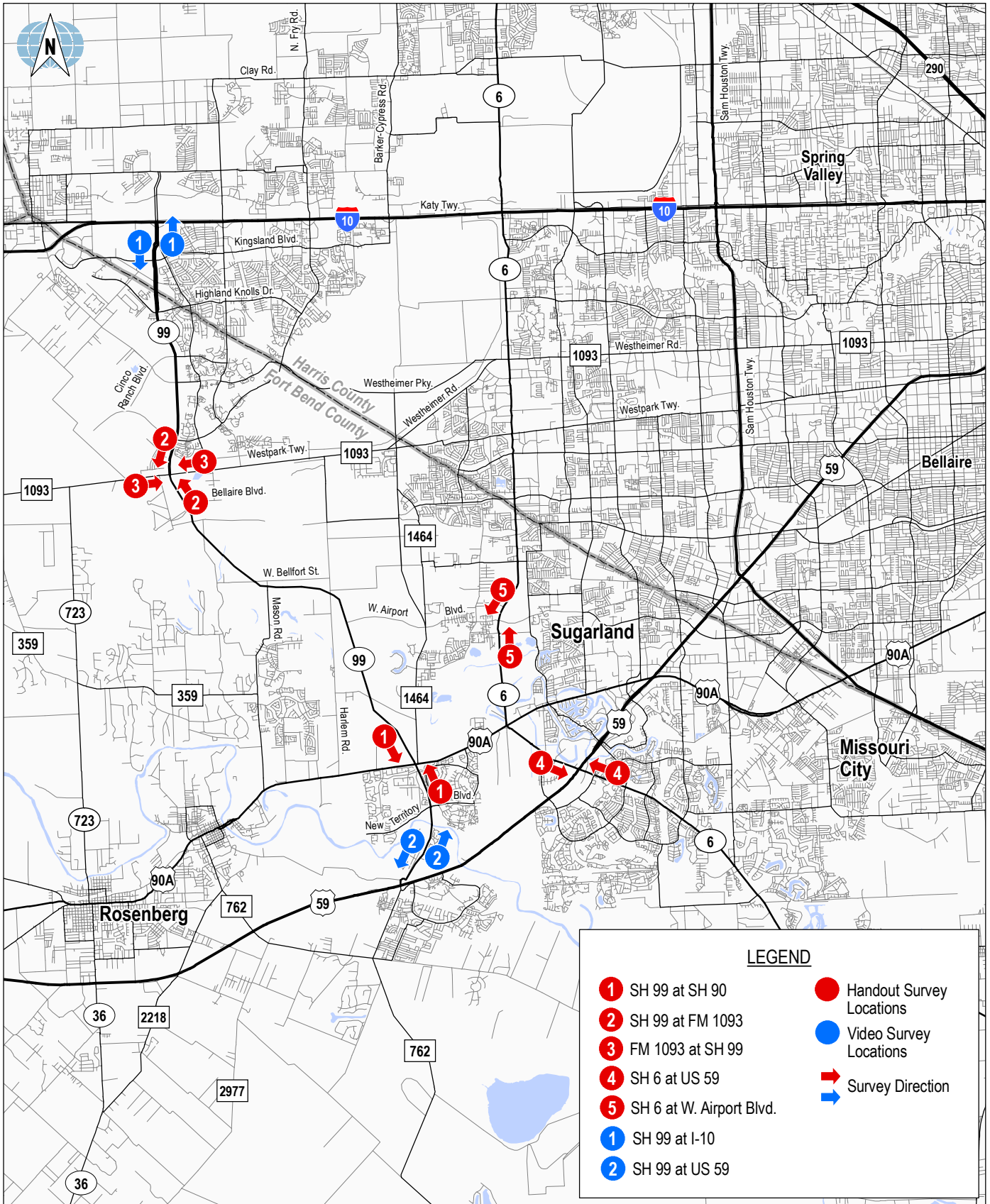
Handout/mailback respondents were requested to report a trip made on the day they received the survey card. However, video respondents were asked about a "recent" trip rather than the one representing the day that the vehicle was seen. For this survey, three additional questions were asked. Information was gathered on the time period during which the trip was made, the direction that the vehicle was traveling while using the Grand Parkway for the reported trip, and the weekday their described trip was made.

As mentioned above, a series of questions were asked in the origin-destination survey relating to trip characteristics of the commuters. Table 3-1 lists the data elements of the origin-destination surveys, along with the purpose(s) for collecting each data element.

The origin-destination surveys were designed to provide detailed information on important characteristics of the drivers, in addition to their origins and destinations. These characteristics included information relating to residence, trip purpose, time of trip, trip frequency, vehicle occupancy, and usage of EZ Tag. The question on having an EZ TAG was aimed to grasp the existing sample of potential users of the proposed Grand parkway facility, since it will be operated as an ETC-Only facility, without toll plazas,

Fort Bend Grand Parkway Toll Road Authority
 Grand Parkway Segment D, Comprehensive Traffic and Revenue Study 2011

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toll booths or toll collectors. Respondents were also asked to provide their email address, if they wished to participate in a follow-up survey. This follow-up survey was a stated preference survey, designed to obtain further information from drivers about their attitudes concerning tolls and toll roads. The stated preference survey is presented in the following chapter.

Data Element	Purpose of collection
Origin Address	Shows where the trip began
Destination Address	Shows where the trip terminated
Time period*	Shows when the trip was made
Direction*	Shows the direction of travel on Grand Parkway
Day of trip*	Shows the weekday on which the trip was made
Trip Purpose	Provides the reason for the trip
Days Per Week Trip is Made	Provides trip frequency
Vehicle Type	Indicates passenger car or commercial vehicle
Number of People in the Vehicle	Collect data on carpooling
Ownership of an EZ TAG	Sample of potential users of the proposed corridor
Zip of Residence	Rough location of local users
Email Address	For follow-up survey on stated preferences (optional)

*questions specific to the mailback survey form

VIDEO LICENSE PLATE SURVEY

Video surveys were conducted at two locations along Grand Parkway between IH-10 and US 59. One location, at the northern end of the segment was north of Affinity Drive. The other location, at the southern end of the segment was between River Falls Drive and Riverpark Drive. Video cameras were mounted on both tripods and telescoping masts. There was one camera facing southbound vehicles and one camera facing northbound vehicles, at each of the two locations. Forty-eight hours automatic recording tube counts were done in conjunction with the license plate video, to obtain data to be used in expanding the 12-hour video sample. The video recording of license plates was done on August 24th and 25th, 2010.

Table 3-2 shows the distribution of the license plate survey. During the 12 hours of video recording, over 44,000 license plates were captured. These were processed and duplicate plates were removed leaving 25,853 plates. With the cooperation of Harris County Toll Road Authority these were reviewed and then forwarded to a local printer, Questmark. After these reviews, there were approximately 21,000 identified license plates with registered names and addresses. Mailback survey cards were then sent to all of the registered owners identified. After a period of five weeks, 1,450 forms had been returned.

Table 3-2
Video Survey Locations and Schedule

Location No.	Route/Site	Location	Survey Direction	Survey Type	Survey Dates	Average 2-Day 24hr Traffic Count	Average 2-Day Traffic Counts Survey Hours	Video Captured	Video w/ Duplicates Removed	Video Filtered HCTRA	Video Filtered Questmark	Cards Returned	Valid Cards Used
1	SH 99	at I-10	NB	Video	8/24 & 8/25	35,320	25,865	15,264	4,230	N/A	N/A	N/A	543
2	SH 99	at I-10	SB	Video	8/24 & 8/25	37,198	26,783	16,542	12,237	N/A	N/A	N/A	296
3	SH 99	at US 59	NB	Video	8/24 & 8/25	11,971	8,554	7,737	5,728	N/A	N/A	N/A	112
4	SH 99	at US 59	SB	Video	8/24 & 8/25	11,462	8,637	4,895	3,658	N/A	N/A	N/A	113
Totals						95,951	69,839	44,438	25,853	22,654	21,000	1,450	1,064

Note: Average counts include Trucks

Figure 3-2 is a copy of the instruction/address side of the mailback survey card. Figure 3-3 is the side with the survey questions. Respondents were asked to think about a trip they recently made on Grand Parkway. They were asked the time, day of the week and direction of the trip. The address or location of the beginning and end of the trip was requested. Also asked was the purpose of the trip, the type of vehicle, the number of people in the vehicle during the trip, and how often the particular trip was made. The respondents were asked if they had an EZ Tag. As an incentive to fill out and return the survey card, if the name and address was filled in the appropriate box, they would be entered into a drawing for a \$150 prize. If a respondent wanted to participate in a further survey, they could fill in their e-mail address and they would receive a link to a more comprehensive on-line survey.

Of the 1,450 cards returned, 1,064 or 73 percent, were fully usable. Some were not 100 percent completed, others contained contradictory information or information that was not relevant to this survey. The data from the usable mailback surveys were summarized and shown on Table 3-3.

Virtually all the reported trips were from autos (99.3 percent). Commercial vehicles were less than one percent. There was a relatively large EZ Tag penetration with 87.6 percent reporting that they had tags or access to tags. Vehicle Type and EZ Tag penetration are shown on Figure 3-4.

Figure 3-5 shows the Trip Frequency, Trip Purpose and Vehicle Occupancy from the Video Mailout Survey. The majority of trips were presumably commuters since 54.2 percent said that they made their trip four or more times per week. Another 14.3 percent indicated they made the trip 2 to 3 times per week and 8 percent said once a week. Only 23.4 percent made the trip one to three times per month or less. The reported trip purpose for the majority of the respondents (51 percent) was “to or from Work”. Fifteen percent said their trip was for Personal Business and a little over 9 percent indicated that they had been Shopping. The remaining 24 percent was divided among Company Business (8.7 percent), Social Event/Visit (7.0 percent), Recreation (5.2 percent), and to or from School (3.6 percent). Average vehicle occupancy was calculated at 1.45 persons per vehicle. Over 68 percent of the trips on the returned surveys were driver-only trips. A little over 22 percent had one passenger. Vehicles carrying three or more persons were less than 10 percent of the total.

As shown on Figure 3-6, most of the trips reported took place on either Monday (26.9 percent) or Friday (28.2 percent). Tuesday trips were 14.8 percent, Wednesday was 13.0 percent, and Thursday, 17.2 percent. Most of the trips were during the morning peak period (46.7 percent). The Midday was next with 27.8 percent, followed by the afternoon peak at 22.4 percent. Night trips were only 3.1 percent. Most of the trips were in the northbound direction (60.5 percent).



TRAVEL PATTERN SURVEY - 2010

Dear Motorist:

The Fort Bend Grand Parkway Toll Road Authority (FBGPTRA) is working to improve the motorist's driving experience west Houston region. FBGPTRA is conducting a travel pattern and trip characteristic survey to learn more about regional travel demand. The information will help to plan future improvements in the west Houston region.

You were randomly selected to participate in this brief survey. Your answers will remain anonymous and will be used for planning purposes only. If you have a few moments, please think about your most recent trip made on a weekday (Monday - Friday) that included your trip in the west Houston region, specifically a trip made using the Grand Parkway (SH 99). Please answer all the questions on the survey, detach the form, and drop in the mail. No postage is necessary.

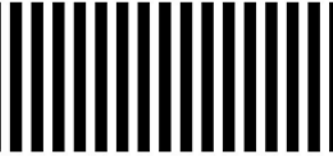
Your participation in completing the survey qualifies you to win a chance to receive one of three Visa gift cards of \$150 pre-paid. By completing the survey **in its entirety** and providing your name and address in the space provided on the questionnaire, you will qualify to be eligible for the Visa gift card drawing.

We will also be conducting a supplemental Internet-based survey of transportation options to include new tolled overpasses on the Grand Parkway. If you are interested in completing this survey, please provide your email address in the space provided on the questionnaire. Your feedback in the follow-up Internet survey is **OPTIONAL** but would be greatly appreciated.

FBGPTRA thanks you for taking the time to provide us with your comments related to your driving experience. This survey is an essential part of our customer service outreach and we value your feedback.

Thank you.

NO POSTAGE
NECESSARY
IF MAILED
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UNITED STATES

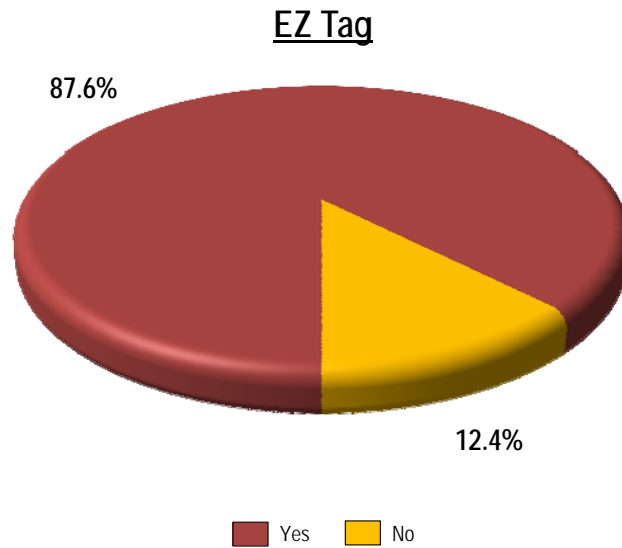
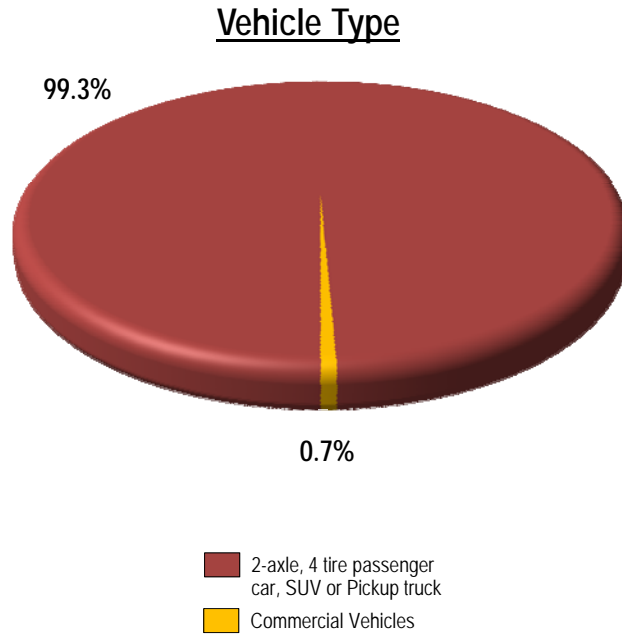


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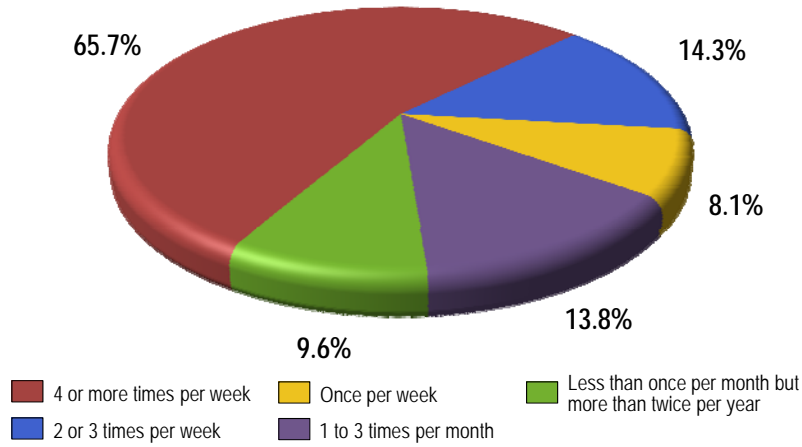
WILBUR SMITH ASSOCIATES
PO BOX 421289
HOUSTON TX 77242-9946



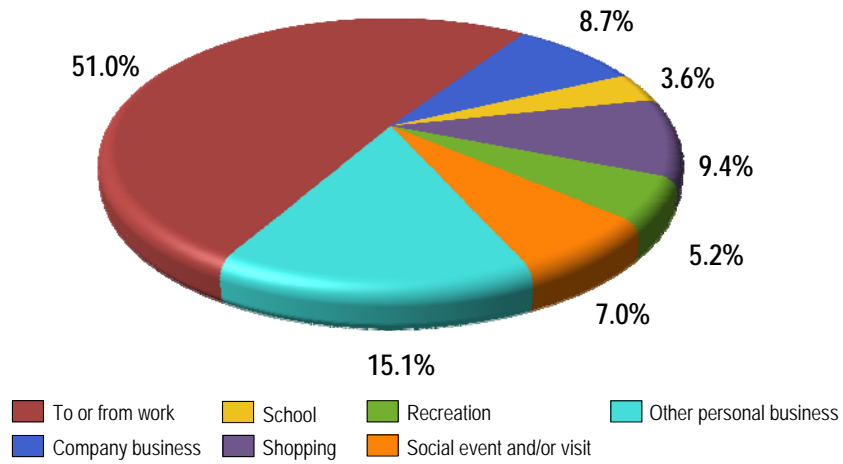


Note: Data summaries produced from a total of 1,383 valid handout survey returns.

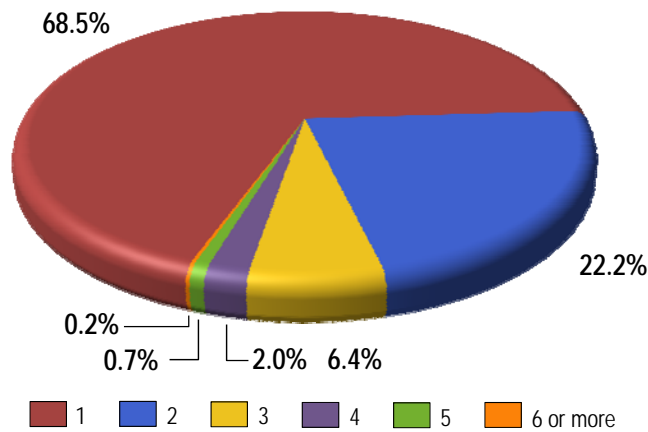
Trip Frequency



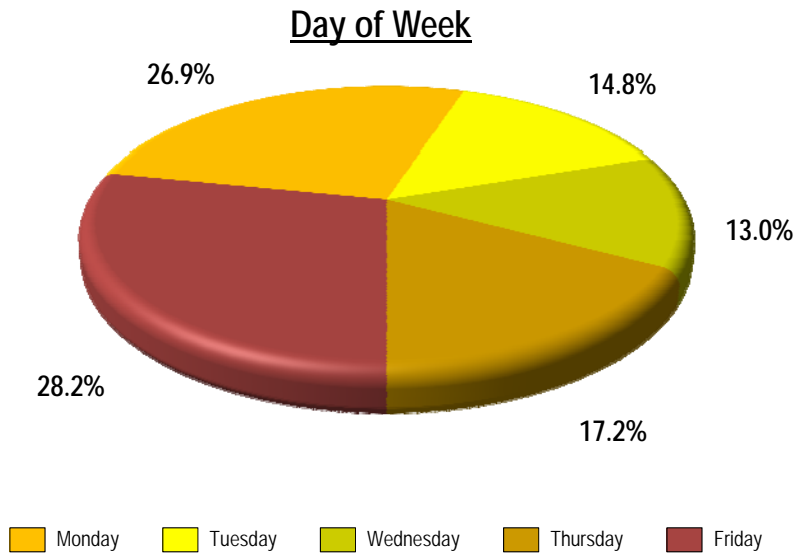
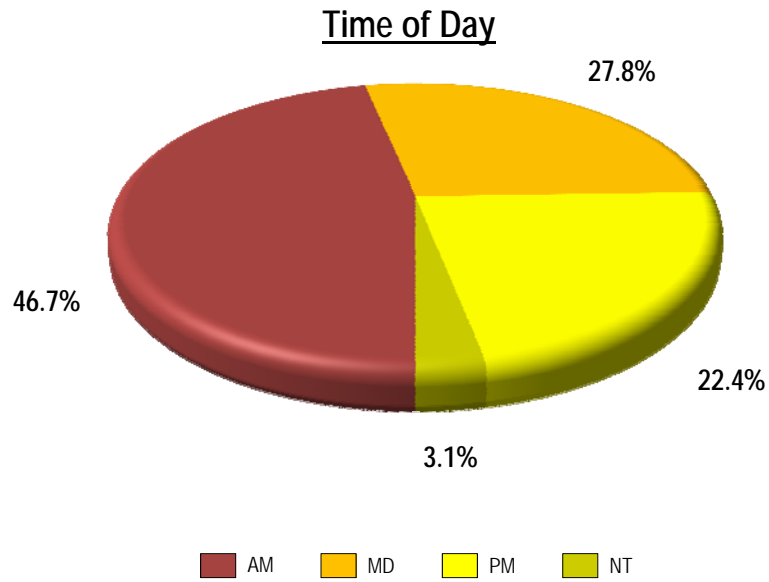
Trip Purpose



Vehicle Occupancy



Note: Data summaries produced from a total of 1,383 valid handout survey returns.



Note: Data summaries produced from a total of 1,383 valid handout survey returns.

**Table 3-3
Video Survey Tabulations**

Trip Purpose		Direction of Travel		Time of Day		Day of Week	
Work	543 51.0%	Eastbound	418 39.5%	AM	497 46.7%	Monday	286 26.9%
Personal Business	161 15.1%	Northbound	640 60.5%	MD	296 27.8%	Tuesday	157 14.8%
Shopping	100 9.4%			PM	238 22.4%	Wednesday	138 13.0%
Company Business	93 8.7%			NT	33 3.1%	Thursday	183 17.2%
Social Ev./Visit	74 7.0%					Friday	300 28.2%
Recreation	55 5.2%						
School	38 3.6%						
	<u>1064 100.0%</u>		<u>1058 100.0%</u>		<u>1064 100.0%</u>		<u>1064 100.0%</u>
Occupancy		E-Z Tag		Vehicle Type		Trip Frequency	
Driver Only	728 68.4%	Yes	932 87.6%	Truck	7 0.7%	4+ per week	575 54.2%
2 Occupants	236 22.2%	No	132 12.4%	Auto	1057 99.3%	2-3 per week	152 14.3%
3 Occupants	68 6.4%					Once/week	86 8.1%
4 Occupants	23 2.2%					1-3 per mo.	146 13.8%
5 Occupants	7 0.7%					less than 1/mo.	102 9.6%
6 Occupants	2 0.2%						
Av. Occupancy =	<u>1.45</u>		<u>1064 100.0%</u>		<u>1064 100.0%</u>		<u>1061 100.0%</u>

HANDOUT SURVEY

Handout survey cards were distributed at six locations on SH 99, FM 1093, and SH 6. The handout format was designed to intercept motorists at six arterial survey locations. These were:

1. State Highway 99 at State Road 90 in the northbound and southbound directions;
2. State Highway 99 at FM 1093 in the northbound and southbound directions;
3. FM 1093 at State Highway 99 in the eastbound and westbound directions;
4. State Highway 6 at US 59 in the northbound and southbound directions;
5. State Highway 6 at West Airport Boulevard in the northbound and southbound directions; and
6. State Highway 6 at Westheimer Parkway in the northbound and southbound directions.

Survey sites were set up at S.H. 99 off ramps and at the selected intersection locations listed above. TRAFFIC SURVEY AHEAD warning signs were positioned, along the approach to the intersection, advising motorist of the survey operation ahead. When the traffic signals turned red, survey personnel passed among the stopped vehicles and

distributed the postage-paid, pre-addressed mailback survey questionnaires. When the traffic signals turned green, survey personnel would exit the intersections and motorists would move along unimpeded. The survey personnel would request the drivers to complete the form and return it via regular mail as soon as possible.


Figure 3-7 is a copy of the handout survey card. The respondents were asked to record the location of the beginning of the trip they were on when they got the handout card and the location of the end of the trip. They were also asked the purpose of the trip, the type of their vehicle, the number of people in the vehicle and the number of times they regularly took that trip, as well as whether they had an EZ Tag. If they wrote in their name and address they would be eligible for the drawing for the \$150 prize and if they wrote in their e-mail address they could participate in a further survey (Stated Preference).

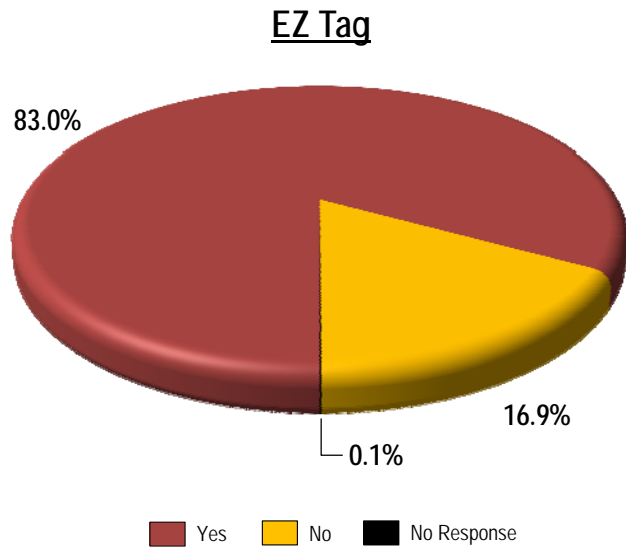
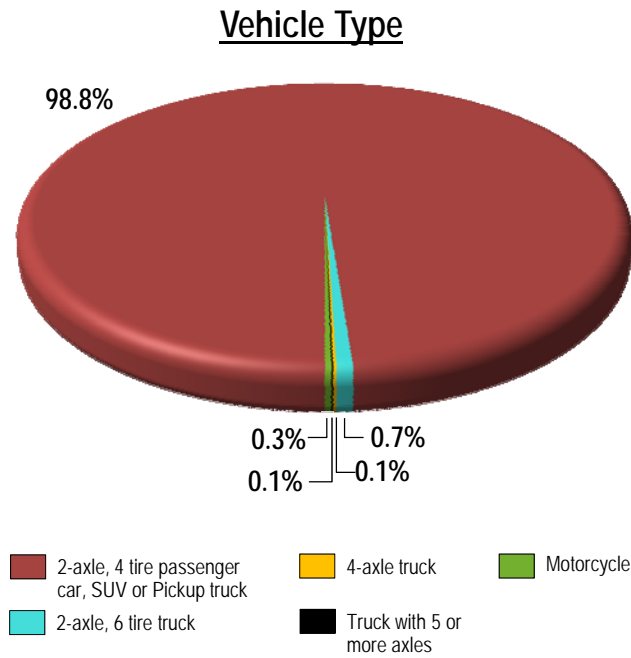
Table 3-4 shows the locations and distributions for the handout survey. A total of slightly over 14,000 survey cards were handed out. Returns totaled 1,605 or 11.4 percent. Of these, 222 surveys were unusable. The 1,383 valid forms represent a 9.8 percent sample of the total number of survey cards distributed. This is slightly over 1.0 percent of the total estimated 2008 Average Daily Traffic (ADT) at the six locations.

Figure 3-8 shows the vehicle types and percent EZ Tag from the returned handout surveys. Almost all the returned survey cards (98.8 percent) were from drivers who were traveling in autos, sport utility vehicles, or pick-up trucks with four tires. Almost 1 percent (0.7 percent) were from pick-up trucks with six tires. Returns from motorcycles were 0.3 percent and trucks with four or more axles made up another 0.2 percent. A large percentage of drivers surveyed had EZ Tags. The EZ Tag users were 83.0 percent of all survey cards returned.

As illustrated on Figure 3-9, the majority of the vehicles (70.8 percent) had only a single occupant, the driver. There were 18.7 percent of the vehicles with 2 occupants, 6.9 percent with three occupants, and 3.6 had 4 or more occupants. There were a variety of trip purposes but to or from work was the highest percentage at 55.5 percent. The second and third highest purposes were personal business and shopping, at 13.4 percent and 11.2 percent, respectively. None of the other four purposes, company business, school, recreation, and social event was more than 7 percent of the total.

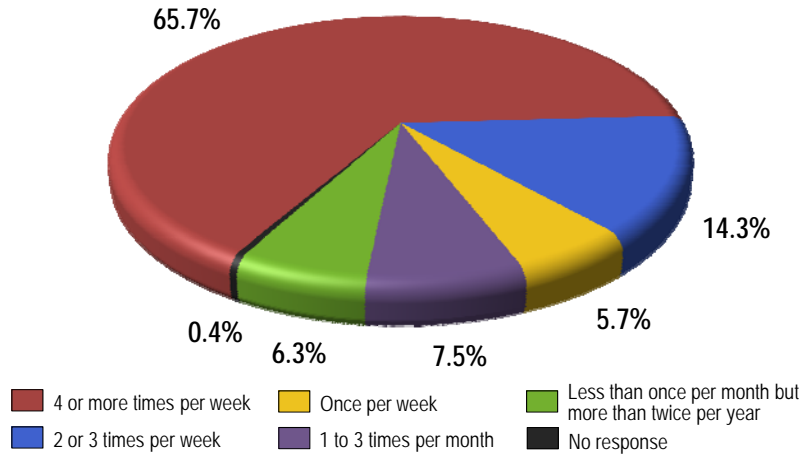
The majority of the trips (65.7 percent) were made four or more times per week. This was not surprising considering that the over 55 percent of the response indicated their trip purpose as “work”.

6	<p>Travel Pattern Survey – 2010</p>  <p>Dear Motorist: The Fort Bend Grand Parkway Toll Road Authority (FBGPTRA) is conducting a survey of motorists in the west Houston region to better understand your driving experience and your response to future improvements. FBGPTRA is requesting your assistance by asking for information about the one-way trip that you made today using the Grand Parkway (SH 99). Please complete the questionnaire and drop it into the mail at your earliest convenience. Postage is pre-paid. Early returns will be entered in a drawing for three chances to win a Visa gift card. All information is confidential and will only be used for planning purposes. This survey is an essential part of our customer service outreach and we value your feedback.</p>												
7													
8	<p>A. Where did you start your trip today? Please be as specific as possible. If you do not know the street address, please identify the nearest intersection, shopping area, subdivision, etc.</p> <p>----- Street Address, nearest intersection or location</p> <p>-----</p>												
9	<p>----- City or town State Zip Code (if known)</p>												
10	<p>B. Where did you end this trip today? Please be as specific as possible. If you do not know the street address, please identify the nearest intersection, shopping area, subdivision, etc. <i>Response should be different to Question A. Please do not describe a round trip such as home to work and then home. Please describe the trip only in the direction you were going when you received this card.</i></p> <p>----- Street Address, nearest intersection or location</p> <p>-----</p>												
11	<p>----- City or town State Zip Code (if known)</p>												
12	<p>C. What is the zip code of your primary residence? -----</p> <p>D. Please indicate the main purpose of your one-way trip. (Circle one)</p> <p>1. To or from work 3. School 5. Recreation 7. Other personal business 2. Company business 4. Shopping 6. Social event and/or visit</p>												
13	<p>E. Please identify the type of vehicle you were driving. (Circle one)</p> <p>1. 2-axle, 4-tire Passenger Car, SUV or Pickup Truck 2. 2-axle, 6-tire Truck 3. 3-axle Truck 4. 4-axle Truck 5. Truck with 5 or More Axles 6. Motorcycle</p>												
14	<p>F. Do you, or others in your immediate household, currently have an EZ TAG or other electronic tag useable in Texas? (Circle one) 1. Yes 2. No</p>												
15	<p>G. How many people, including yourself and any children, were in your vehicle? (Circle one)</p> <p>1 2 3 4 5 6 or more</p>												
16	<p>H. How often do you make this one-way trip? (Circle one)</p> <p>1. 4 or more times per week 3. Once per week 5. Less than once per month but more than twice per year 2. 2 or 3 times per week 4. 1 to 3 times per month</p>												
17	<p>I. By completing the survey in its entirety and providing your name and address in the space provided below, early respondents qualify to participate in a \$150 pre-paid Visa gift card drawing. (OPTIONAL)</p> <p>----- -----</p>												
18	<p>J. If you would like to participate in the supplemental follow-up Internet survey, please supply your email address.</p> <p>Email Address (OPTIONAL) -----</p> <p><small>This space is for office use only. Please do not write in this space.</small></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">STATION</td> <td style="width: 10%;">DIR</td> <td style="width: 10%;">DAY</td> <td style="width: 10%;">HOUR</td> <td style="width: 10%;">C</td> <td style="width: 10%;">D</td> <td style="width: 10%;">E</td> <td style="width: 10%;">F</td> <td style="width: 10%;">G</td> <td style="width: 10%;">H</td> <td style="width: 10%;">I</td> <td style="width: 10%;">J</td> </tr> </table>	STATION	DIR	DAY	HOUR	C	D	E	F	G	H	I	J
STATION	DIR	DAY	HOUR	C	D	E	F	G	H	I	J		

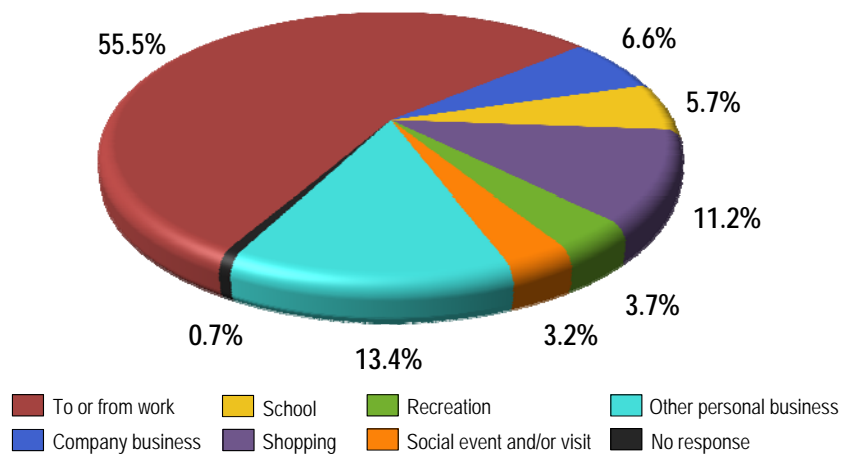


Note: Data summaries produced from a total of 1,383 valid handout survey returns.

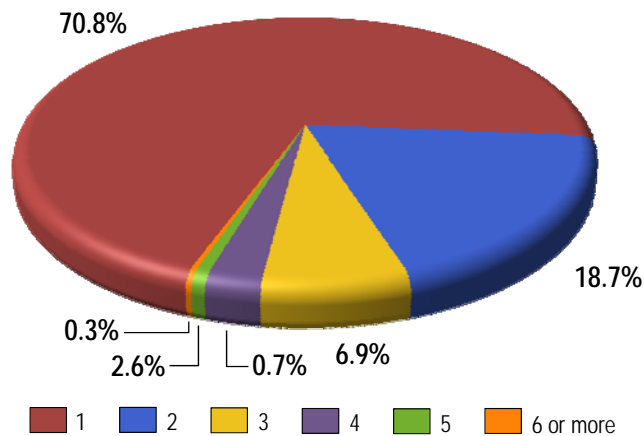
Trip Frequency



Trip Purpose



Vehicle Occupancy



Note: Data summaries produced from a total of 1,383 valid handout survey returns.

**Table 3-4
Survey Station Locations and Distribution**

Location No.	Route/Site	Location	Survey Direction	Survey Type	Survey Date	Estimated 2008 ADT	Cards Distributed	Cards Returned	Percent Returned	Valid Cards	Percent Valid Cards
1	SH 99	at SR 90	NB	Handout	8/25	21,168	779	117	15.0%	98	12.6% (83.8%)
1	SH 99	at SR 90	SB	Handout	8/25		1892	225	11.9%	206	10.9% (91.6%)
2	SH 99	at FM 1093	NB	Handout	8/24	22,859	1356	252	18.6%	212	15.6% (84.1%)
2	SH 99	at FM 1093	SB	Handout	8/24		2119	305	14.4%	279	13.2% (91.5%)
3	FM 1093	at SH 99	EB	Handout	8/24	18,522	1273	205	16.1%	189	14.8% (92.2%)
3	FM 1093	at SH 99	WB	Handout	8/24		982	145	14.8%	128	13.0% (88.3%)
4	SH 6	at US 59	NB	Handout	8/25	41,160	1631	120	7.4%	96	5.9% (80.0%)
4	SH 6	at US 59	SB	Handout	8/25		1695	123	7.3%	82	4.8% (66.7%)
5	SH 6	at W Airport Blvd	NB	Handout	8/26	28,298	1050	46	4.4%	35	3.3% (76.1%)
5	SH 6	at W Airport Blvd	SB	Handout	8/26		1306	67	5.1%	58	4.4% (86.6%)
Totals						132,007	14,083	1,605	11.4%	1,383	9.8% (86.2%)

* O/D survey card distribution process interrupted on SH 6 at Westheimer Pkwy intersection

Both the Video Mailout Survey and the Handout Survey returns were overwhelmingly from drivers of private autos. There were less than one percent commercial vehicles in the Video Survey and only 1.2 percent in the Handout Survey. Traffic counts in the area also indicate a small percentage of trucks (less than 5 percent).

The number of EZ Tag users was consistently high in both surveys, 83.0 percent from the Handout Survey and 87.6 percent from the Video Mailout.

The vehicle occupancy in both surveys was almost exactly the same. In the Video Mailout survey, single occupant vehicles were 68.4 percent and in the Handout survey, 70.8 percent. There were 22.2 percent two-occupant vehicles in the Video survey and 18.7 percent in the Handout survey. Combined single and two-occupant vehicles in the Video survey totaled 90.6 percent, while the same combination in the Handout survey was 89.5 percent. Three-occupants were 6.4 percent in the Video and 6.9 percent in the Handout survey. Vehicles with four occupants were 2.2 percent in the Video survey and 2.6 percent in the Handout survey. There were very few five-occupants in both surveys and both percentages were 0.7 percent. Because of this significant consistency, both samples appear to be representative with respect to vehicle occupancy.

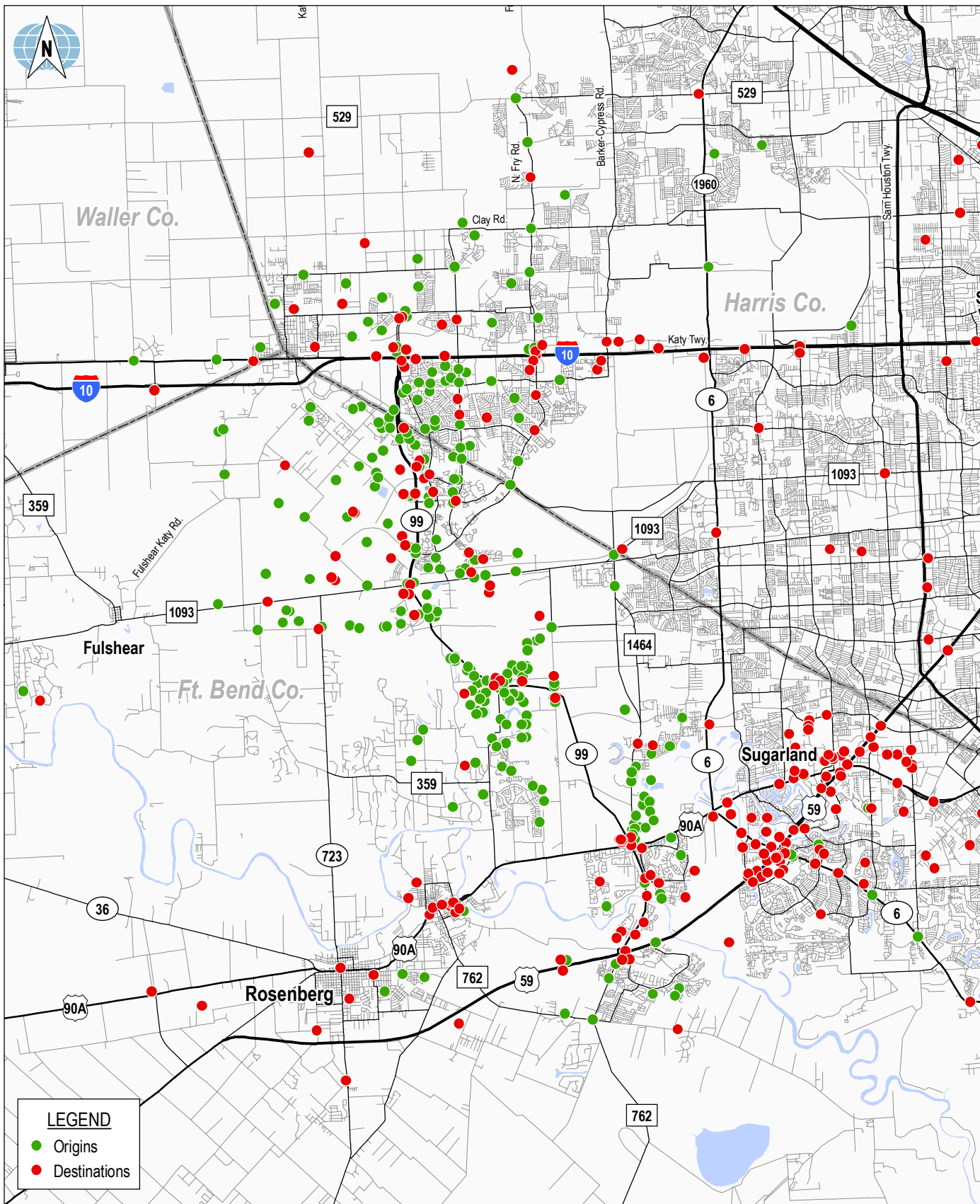
Percentages of trip purposes were also similar between the two surveys. Combining work and company business resulted in an additive percent of 59.7 percent for the Video survey and 62.1 percent for the Handout. Personal business was 15.1 percent in the Video and 13.4 in the Handout. Shopping was 9.4 percent in the Video survey and 11.2 percent in the Handout survey.

There were more returns from commuters from the Handout survey with 65.7 percent versus 54.2 percent in the Video, indicating that they took the same trip four or more times per week. However, those who said they took the same trip two-three times per week were the exact same percentage in both surveys, 14.3 percent. The percent that said they took the same trip one-to-three times per month was almost double in the Video survey (13.8 percent to 7.5 percent).

Overall most of the percentage breakdowns of both surveys were relatively close and indicate that both surveys are representative samples.

PATTERN OF SURVEYED TRIPS

By displaying the travel patterns, from the origin-destination survey, as productions and attractions at the zonal level, the results of the surveys can be shown. Figure 3-10 shows the Handout survey origins and destinations for the morning peak period. Each dot on the map represents one origin and one destination from a survey response. There is a



Note: Each dot represents one survey response.

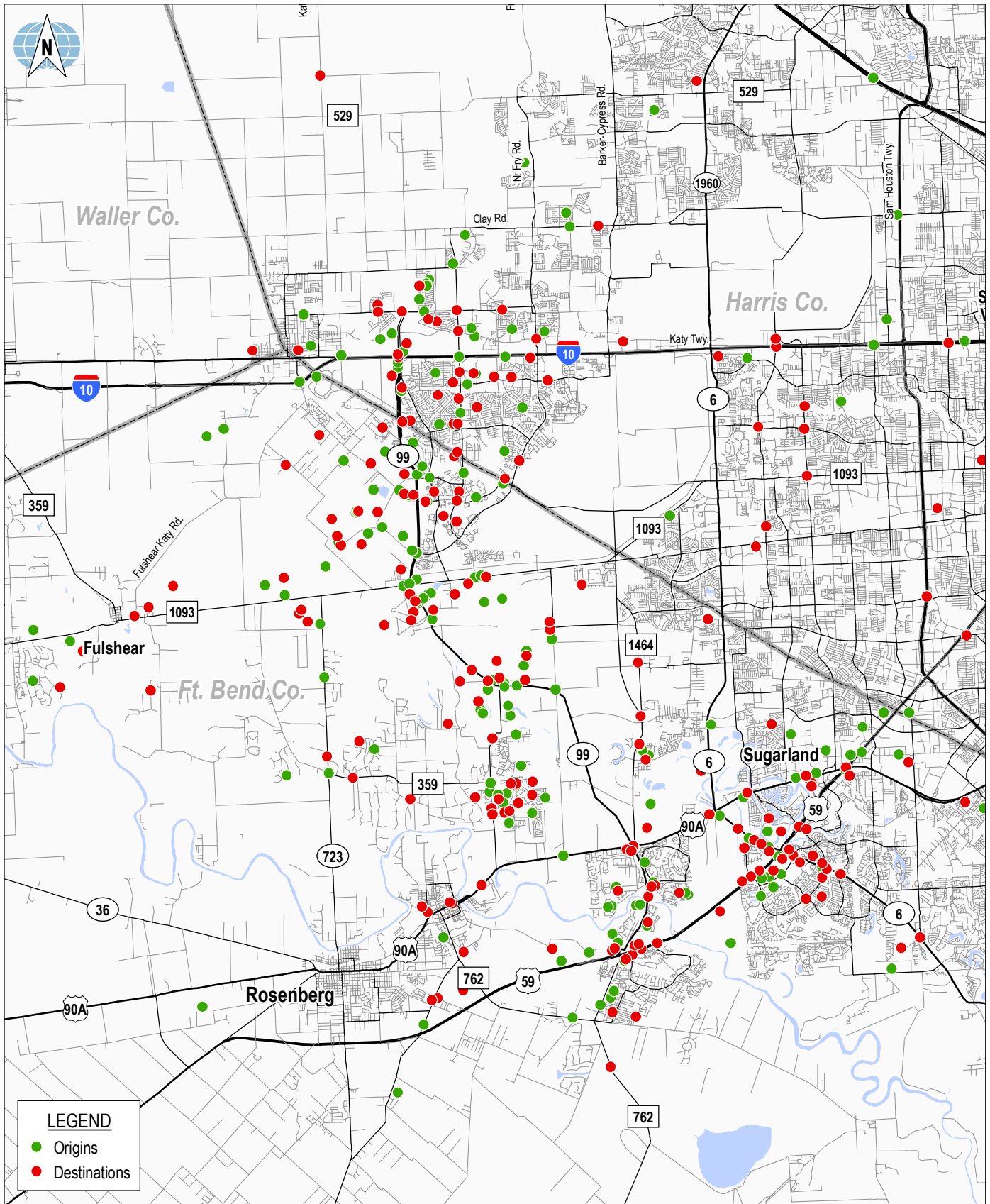
HANDOUT SURVEY ORIGINS AND DESTINATIONS AM PEAK PERIOD

heavy concentration of destinations in Sugarland which indicates that there are a significant number of local destinations, rather than Houston Downtown.

The afternoon peak distribution of the surveyed trip origins and destinations, from the Handout survey are shown in Figure 3-11. There are concentrations of both origins and destinations throughout the study area, in Sugarland, at the intersection of U.S. 59 and SH 99, the intersection of FM 359 and Farmer Road, the intersection of Mason Road and SH 99, and near SH 99 from the intersection of FM 1093 to the Katy Freeway (IH-10).

A series of 48-hour counts were conducted for the purposes of factoring survey sample trips, in order to represent the average weekday pattern of traffic movement, along Segment D. Average weekday traffic volumes are higher in the northern section of Segment D, ranging from slightly over 25 thousand vehicles per day between South Fry Road and Westpark Tollway, to over 46 thousand, in the northbound direction, and 39 thousand in the southbound direction, between Highland Knolls Drive and Cinco Ranch Boulevard. South of the Westpark Tollway, weekday volumes gradually decline from over 15 thousand vehicles per day between Bellaire Boulevard and Morton Road to 13 thousand per day just north of U.S. 59.

Data from the two origin and destination surveys were used as input to the travel demand model to refine the base year 2010 and future travel patterns as described later. This vastly improves model accuracy compared to estimated travel patterns generated from the H-GAC regional travel demand model.



Note: Each dot represents one survey response.

HANDOUT SURVEY ORIGINS AND DESTINATIONS PM PEAK PERIOD

CHAPTER 4

STATED PREFERENCE SURVEYS

Resource Systems Group (RSG) was contracted by Wilbur Smith Associates to develop and implement a stated preference survey to gather information from current automobile travelers in the vicinity of Grand Parkway Segment D and estimate the distribution of potential customer's value of time (VOT). In addition to collecting data on current travel behaviors, the survey presents respondents with information about the proposed highway improvements and, with the use of choice-based conjoint (trade-off) questions, assists in estimating travelers' values of time which will be essential for toll diversion and estimating toll revenue.

This chapter describes the survey data collection and model estimation work conducted by RSG for the Grand Parkway Stated Preference Study. The complete Stated Preference Report, prepared by RSG may be found in Attachment A to this report.

SURVEY APPROACH

Survey data was collected that allows for statistical estimation of a stated preference mode choice model. Data were collected so that the model could include time of day and trip purpose segments, as well as travel cost sensitivity and willingness of travelers to use the toll road options on Grand Parkway Segment D. The stated preference survey conducted for this study collected data from travelers on current trip characteristics and choices among current travel options such as tolled and un-tolled use of Grand Parkway, HOV, and use of public transit.

This stated preference survey approach was based on the IVIS computer-assisted self-interview (CASI) technique as developed by RSG. It was programmed using customized proprietary software for both laptops and Internet administration.

The laptop-based stated preference survey was conducted at a variety of locations throughout the Grand Parkway corridor area. The locations were selected to ensure that a representative sample of corridor travelers would be obtained. To ensure that all of the

groups of interest were included in the sample, a multi-method sampling approach was used. Intercepts were conducted in public facilities such as shopping malls, tax collection offices, large office buildings, and libraries. The sample obtained by intercept was supplemented with the participation of employees from a number of large employers located in the vicinity of the Grand Parkway corridor using an online version of the survey.

The customized survey was adapted to each respondent by presenting questions and modifying wording based on respondents' answers. The text of the questionnaire and example screens are included in the RSG report in Attachment A.

SURVEY ADMINISTRATION

The data collection effort for this project was conducted between January and March, 2011. Travelers who either used or could have used Grand Parkway for a trip between 15 minutes and 4 hours in length were intercepted at various locations throughout Houston. Emphasis was placed on selecting sites that were proximate to the Grand Parkway corridor and would allow collection of responses for both work and non-work purposes. The following general areas were targeted:

1. Office buildings and other area employment sites
2. Shopping and recreational centers
3. Libraries
4. Other heavily trafficked sites including the Fort Bend Tax Offices

The survey administration setup was comprised of up to ten laptop computer interview stations set up each day, usually split between two locations. Each survey site was staffed by two to four survey attendants who were responsible for soliciting and screening potential respondents, escorting the participants to survey stations, and if necessary, assisting them with questions. Potential respondents were questioned to ensure that they met the screening criteria. A framed poster mounted on an easel was positioned near the interview station to assist in attracting respondents.

When taking the survey, respondents sat in front of a laptop computer and primarily used a mouse to record answers and navigate through the survey. Most respondents took between ten and fifteen minutes to complete the survey. Data for each individual was automatically saved to the computer for later analysis. It was reported that participants were generally enthusiastic about taking the survey and seemed to enjoy the survey's interactive technology.

In addition to the surveys collected at central site locations, additional surveys were collected via the Internet at SurveyCafe.com. The majority of these were obtained from a number of large businesses and a small number from libraries. These participants were invited to participate via email. The remaining surveys were obtained via the Internet through flyers that were handed to individuals at central site locations who were unable to participate when they were intercepted.

SURVEY RESULTS

A total of 1,816 people completed the survey. For matters of consistency, all tabulations in this report include only data from respondents who completed the entire survey. A complete set of straight tabulations are contained in Attachment A. The sources for the completed surveys are shown below on Table 4-1.

Source	Surveys	%
Research Now	302	16.6%
Field	597	32.9%
O&D E-Mails	428	23.6%
Fort Bend Tax Office	15	0.8%
M.S. Marks Library	46	2.5%
Barbara Bush Library	7	0.4%
Other	421	23.2%
Totals	1816	100.0%

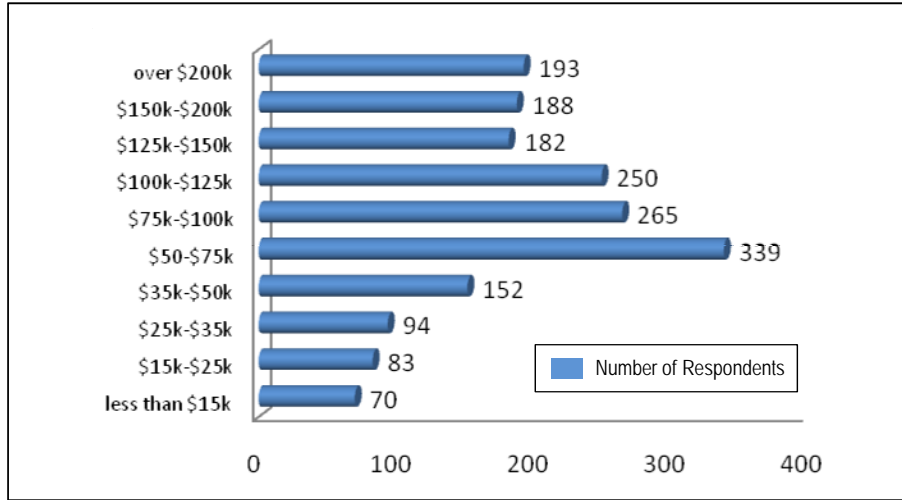
DEMOGRAPHICS

The sample was comprised of 48.1 percent women and 51.9 percent men. The median age was in the range of 45 to 54 years, which is also the largest category, representing 23.4 percent of the whole sample. Household income, shown on Figure 4-1, was slightly over \$100,000, with the range of \$50,000 to \$74,999 having the largest number of respondents (339 or 18.7 percent). Approximately 61.9 percent of respondents were employed full-time.

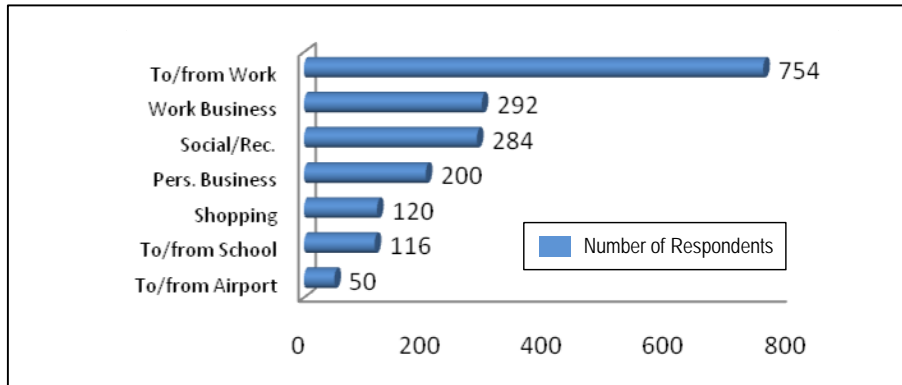
TRIP CHARACTERISTICS

Over 40 percent of respondents indicated that the purpose of their trip was to commute to/from work. The next two highest categories of trip purpose were “work-related

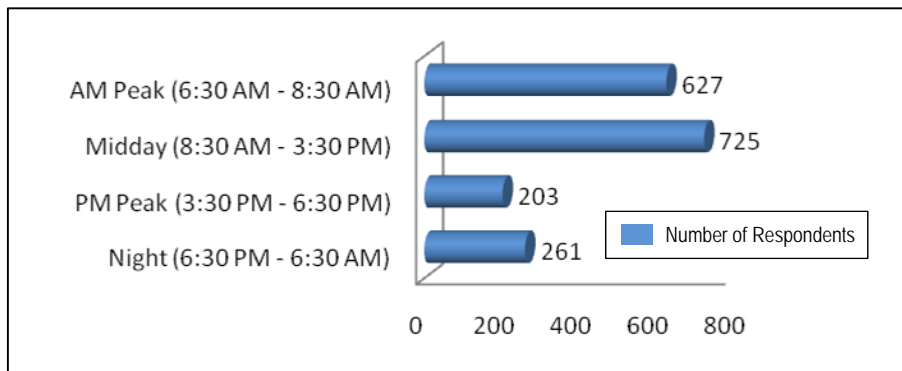
Household Income



Trip Purpose



Time of Day Distribution



business” (16.1 percent) and “social/recreational” at 15.6 percent. Figure 4-1 shows the distribution of trip purposes.

The distribution of time of day when respondents took their trip is shown in Figure 4-1. The Midday period, which was seven hours, had the largest number of responses, almost 40 percent. The two-hour AM Peak (34.5 percent) was over three times the three-hour PM Peak (11.2 percent). Nighttime trips were slightly over the PM Peak with 14.4 percent.

Based on their current origins and/or destinations, trip purposes, and the results of the choice-based conjoint (trade-off) questions, some respondents would be potential Grand Parkway Segment D users and some would not. According to the 1,816 completed surveys, 667 or 36.7 percent would be potential users.

RESULTS AND USAGE

The results of the SP exercise provided WSA with a distribution of Values of Time dependent on income to use in the modeling process. The VOT distribution is presented and described in Attachment A, and a description of how VOT distribution was used is provided in Chapter 6.

CHAPTER 5

ECONOMIC GROWTH ASSESSMENT

The distribution and growth of population, households, and employment all have a significant impact on the initial and continued feasibility of a toll facility. The forecasts of these indicators are a key input for the trip generation step in building travel demand model trip tables. These trip tables are the foundation of the travel demand model in key forecasting years and accordingly future traffic and revenue estimates. It is therefore vital to review these underlying demographic assumptions.

The official regional socioeconomic forecasts used in the regional travel demand model are prepared by the Houston-Galveston Area Council (H-GAC). The Regional Growth Forecasts presents estimates for population, households, and employment in a 13-county area. However, as part of this study, an independent firm, Community Development Strategies (CDS) was retained to conduct an independent analysis of the validity of the socioeconomic data that is used in conjunction with the H-GAC Regional Planning Model to forecast future travel demand in the Houston-Galveston area. In particular, the independent economist focused on the area of influence of the Grand Parkway project. A separate report has been prepared by CDS and is included in Attachment B of this report.

This chapter of the report provides a summary of the demographic and economic information from various sources including summaries of CDS's findings and the adjusted socio-economic forecast used for the base case T&R estimates.

REGIONAL DEVELOPMENT TREND

A review of historical trends of the region's economic indicators was performed to assess growth patterns in the Houston-Galveston area. This section of the chapter summarizes the historic socio-economic trends of the region.

HISTORICAL POPULATION TRENDS

Table 5-1 shows the historical population trends for selected counties in the Houston-Galveston region. The total population has increased by an average annual growth rate of

2.5 percent from 1970 to 2010 for the eight-county region, adding approximately 3.75 million additional residents to the area.

Table 5-1
Historical Population Growth by County

County	1970	CAGR	1980	CAGR	1990	CAGR	2000	CAGR	2010	1970-2010
										CAGR
Brazoria	108,312	4.6%	169,587	1.2%	191,707	2.3%	241,805	2.7%	314,407	2.7%
Chambers	12,187	4.3%	18,538	0.8%	20,088	2.6%	26,006	2.2%	32,332	2.5%
Fort Bend	52,314	9.6%	130,962	5.6%	225,421	4.6%	354,286	5.0%	575,324	6.2%
Galveston	169,812	1.4%	195,738	1.1%	217,396	1.4%	250,178	1.6%	292,242	1.4%
Harris	1,741,913	3.3%	2,409,547	1.6%	2,818,101	1.9%	3,401,139	2.0%	4,147,218	2.2%
Liberty	33,014	3.6%	47,088	1.1%	52,726	2.9%	70,196	0.9%	76,501	2.1%
Montgomery	49,479	9.9%	127,222	3.7%	182,201	4.9%	293,779	4.6%	459,550	5.7%
Waller	14,285	3.3%	19,798	1.7%	23,374	3.4%	32,545	1.4%	37,431	2.4%
8-County Region	2,181,316	3.6%	3,118,480	1.8%	3,731,014	2.3%	4,669,934	2.4%	5,935,005	2.5%

Source: US Census Bureau (March 2011)

The eight-county region added almost 1 million people between 1970 and 1980. The rate of growth was substantially reduced by major economic recession and restructuring which occurred in the mid-1980s as a result of falling oil prices and an over dependency on the petroleum industry within the Houston economy. Subsequent to that economic downturn, the greater Houston region emerged as a much more diverse economy and strong growth resumed in the 1990s and the first ten years of the new century.

The most populous county, of course, is Harris County. In the 40 years between 1970 and 2010, Harris County added over 2.4 million additional residents, an overall rate of growth of 2.2 percent per year. Today, more than 4 million people live in Harris County, out of 5.9 million in the total eight-county region.

The most rapidly growing counties are Fort Bend and Montgomery, averaging about 6 percent per year in growth. Both of these counties had populations in the range of about 50,000 residents in 1970; today Fort Bend County has more than 10 times that amount while Montgomery County has over 459,000 residents. Fort Bend County has had consistent long-term growth, even during the 1980's. In the past decade Fort Bend had the highest rate of population growth of 5.0 percent per annum.

HISTORICAL EMPLOYMENT TRENDS

The historical employment trend in the region by county is shown in Table 5-2. Total employment of the eight-county region has by increased over three-quarters of a million (768,000) in the last 20 years shown. This equals a growth rate of almost 2 percent per year with a high of 3.3 percent per year in the period of 1995-2000. Counties of Fort Bend and Montgomery maintained higher growth rates of 5.4 percent per year and 6.0 percent per year, respectively, compared to the other five counties.

Table 5-2
Historical Total Employment Growth by County

County	1990	CAGR	1995	CAGR	2000	CAGR	2005	CAGR	2010	1990-2010 CAGR
Brazoria	66,948	0.7%	69,483	1.7%	75,417	0.9%	78,791	1.9%	86,662	1.3%
Chambers	5,662	4.5%	7,058	0.1%	7,087	3.7%	8,489	2.3%	9,514	2.6%
Fort Bend	46,914	7.4%	67,093	5.5%	87,763	4.6%	109,763	3.9%	133,187	5.4%
Galveston	75,473	2.4%	85,113	0.4%	86,844	0.5%	88,984	1.5%	95,934	1.2%
Harris	1,456,705	1.5%	1,567,352	3.3%	1,840,442	0.3%	1,867,791	1.3%	1,996,491	1.6%
Liberty	13,324	1.4%	14,296	1.6%	15,497	0.9%	16,174	0.3%	16,453	1.1%
Montgomery	39,964	6.7%	55,200	6.8%	76,865	6.1%	103,203	4.5%	128,652	6.0%
Waller	7,117	2.6%	8,108	3.8%	9,760	5.1%	12,514	1.0%	13,148	3.1%
8-County Region	1,712,107	1.8%	1,873,703	3.3%	2,199,675	0.8%	2,285,709	1.6%	2,480,041	1.9%

Source: US Bureau of Labor Statistics

Considering the entire Houston Metropolitan Area, there has been an increase in employment of over 600,000 jobs between 2000 and 2009. This is almost 27 percent or 2.7 percent per year, compounded, for the nine years. The greatest increases occurred in the far Southwest and far Northwest, with nine year growths of over 50 percent each.

HISTORICAL PERSONAL INCOME TRENDS

Travel demand in general is sensitive to, among other things, the amount of disposable income available in a household. As for demand for toll facilities, a reliable indicator of an individual's propensity to pay tolls instead of free alternatives is personal income; this is a key input into the assessment of the value of time for a motorist as there is typically a relationship between value of time, income and the motorists' willingness to pay.

Table 5-3
Historical Personal Per Capita Income by County

County	1990	CAGR	1995	CAGR	2000	CAGR	2005	CAGR	2010	1990-2010 CAGR
Brazoria	\$26,257	2.6%	\$29,882	2.8%	\$34,367	2.2%	\$38,314	2.4%	\$43,212	2.5%
Chambers	\$25,126	3.3%	\$29,589	4.0%	\$36,056	2.7%	\$41,236	1.0%	\$43,264	2.8%
Fort Bend	\$24,013	3.3%	\$28,265	4.8%	\$35,785	3.7%	\$42,987	0.7%	\$44,460	3.1%
Galveston	\$21,443	4.2%	\$26,367	2.3%	\$29,532	3.8%	\$35,526	3.0%	\$41,132	3.3%
Harris	\$26,858	3.5%	\$31,974	5.5%	\$41,879	3.3%	\$49,248	2.4%	\$55,380	3.7%
Liberty	\$16,725	4.6%	\$20,981	3.3%	\$24,730	3.4%	\$29,161	3.2%	\$34,060	3.6%
Montgomery	\$20,392	3.3%	\$24,039	6.0%	\$32,099	3.0%	\$37,250	1.8%	\$40,664	3.5%
Waller	\$17,731	3.5%	\$21,066	3.5%	\$24,974	4.4%	\$30,947	4.5%	\$38,532	4.0%

Source: US Bureau of labor Statistics

The historical per capita income trend in the region by county is shown in Table 5-3. As can be noted from the table, the overall growth is in the range of 2.5 percent to 4.0 percent per year. Waller County has had the highest growth rate over the 20-year period

at 4.0 percent per year. Harris is a close second with a growth rate of 3.7 percent per year. The lowest is Brazoria with a growth rate of only 2.5 percent per year. Chambers County is almost as low at 2.8 percent per year. In 2010, Fort Bend County had the highest per capita income outside the City of Houston, at \$44,460.

Total income in the 8-County Region was \$44.9 billion in 1990. It had almost tripled by 2010 to over \$130 billion. The average growth rate in total income was 5.5 percent per year. Average per capita income doubled from \$26,244 in 1990 to \$52,777 in 2010, an average growth rate of 3.6 percent per year.

TRENDS IN HOUSEHOLDS/HOUSING UNITS

Another key indicator is the number of households or housing units in the study area. Table 5-4 shows the 19-year trend in housing unit growth. Since 1990, the number of housing units in the 8-county region has grown by 2.6 percent per year. Fort Bend and Montgomery Counties had the largest growth rates at 4.0 and 4.4 percent per year, respectively. The largest absolute growth was in Harris County, where housing units increased by over 400,000 between 1990 and 2009. This was an average rate of 1.7 percent per year. Montgomery and Fort Bend Counties had the second and third highest absolute growth at over 93,000 and 85,000 respectively.

Table 5-4
Historical Housing Units by County

County	1990	CAGR	2000	CAGR	2005	CAGR	2009	2005-2009 1990-2009	
								CAGR	CAGR
Brazoria	74,504	2.0%	91,211	3.0%	105,629	2.8%	117,993	2.8%	2.4%
Chambers	8,061	2.6%	10,433	3.7%	12,522	3.1%	14,158	3.1%	3.0%
Fort Bend	77,075	4.3%	117,509	3.0%	136,195	4.6%	162,777	4.6%	4.0%
Galveston	99,451	1.2%	112,431	2.2%	125,525	1.8%	134,885	1.8%	1.6%
Harris	1,173,808	1.1%	1,303,521	2.1%	1,444,928	2.6%	1,604,122	2.6%	1.7%
Liberty	22,243	1.8%	26,477	1.1%	28,013	0.9%	28,990	0.9%	1.4%
Montgomery	73,871	4.4%	113,960	4.3%	140,764	4.4%	167,489	4.4%	4.4%
Waller	8,824	3.2%	12,062	2.4%	13,556	1.5%	14,395	1.5%	2.6%
8-County Region	1,537,837	1.5%	1,787,604	2.3%	2,007,132	2.8%	2,244,809	2.8%	2.0%

Source: US Bureau of Census

Again considering the entire Houston Metro Area, growth in households was 21.5 percent from 2000 to 2009. The two areas with the highest growth rates in households were the Far Southwest at 49.5 percent and the Far Northwest at 50.3 percent.

RECENT ECONOMIC TRENDS

The U.S. economy is currently undergoing one of the most significant contractions since the Great Depression. In 2010, the national unemployment rate reached above 10.0 percent.

In light of ongoing economic conditions, WSA requested CDS, as an independent consultant, to review recent economic indicators for the Houston-Galveston area to better understand how trends in Houston's market compare to national trends. CDS conducted a study that analyzed the validity of regional socio-economic data. A summary of this analysis is presented in this section. CDS's full report on local economic indicators is attached in Attachment B of this report.

RECENT EMPLOYMENT TRENDS

The Houston Area enjoyed a boom during the 1970's during the country's energy shortages. When the oil market fell in the early 1980's, it had a devastating impact on the Houston Area economy. From 1982 to 1987 almost 222,000 jobs were lost. Over 80 percent of those lost jobs were in oil and gas related industries. Since 1986, Houston diversified its economy and thereby lessened dependence on the energy industry. Today the energy sector accounts for about 33 percent of the Houston Area employment base.

Figure 5-1 shows the decline in employment beginning in 1982 and continuing through 1987. Jobs increased significantly from 1988 through 1990 and then growth flattened out for the next four years. There was another period of sharp increase from 1993 to 1999. After a year of basically no growth, 2000 and 2001 showed another sharp increase.

That was followed by another "flat" period from 2002 to 2005. The area experienced steady growth through 2009, having resisted the nation's slide in 2008 and 2009. The second half of 2008 saw the Houston Area declining with the rest of the country with some recovery evident in 2010 and the early part of 2011.

FACTORS AFFECTING FUTURE REGIONAL ECONOMIC GROWTH

According to the Greater Houston Partnership, three factors have governed the state of Houston's economy for the past 10 years

- the health of the national economy;
- the value of the U.S. dollar against foreign currencies; and
- energy prices.

Higher oil and gas prices stimulate demand for oil field equipment and services. Spot market closing prices for West Texas Intermediate began the 2000's decade in the \$20-\$30 per barrel range and remained there until 2004 when they began a steady climb, with



Source: Community Development Strategies, March 2011

a brief downward fall in 2006, to a peak of over \$140 per barrel. During the first half of 2008. The sharp rise was attributed to large increases in demand from China, India and the Middle East. However, with the beginning of the worldwide recession in the second half of 2008, accompanied by a fall-off in demand, crude oil prices subsided to levels below \$40 per barrel in late 2008 and early 2009, started climbing to an average of almost \$80 per barrel in 2010, and have spiked recently to the vicinity of \$105 per barrel. Concurrently, natural gas was under \$130 per thousand cubic meters (TCM), in the early 2000's. In 2003 and 2004, the price hovered around \$200 per TCM. The year 2005 averaged slightly less than \$320 per TCM, followed by prices falling to the neighborhood of \$250 in 2006 and 2007. Prices peaked in 2008 at almost \$320 again and then rapidly fell to a little over \$140 per TCM in 2009 and \$158 in 2010. Current prices are almost \$162 per TCM.

ECONOMIC GEOGRAPHY

The City of Houston has never had zoning or any other form of land use regulation. Therefore, there is no "Central Business District" typical of other large urban areas. Loosely-defined "edge cities" comprise a large portion of the region's employment base. These are usually made up of clusters of office, medical office, hotel, and supportive retail land uses. Many of these clusters contain high-rise, high density buildings. The area's large employment centers are largely dependent for access on the highway system. The de-centralized locations of these centers do not lend themselves to the use of mass transit.

HISTORIC GROWTH AND PROJECTIONS

Population growth is one of the principal measures of the economic vitality of any area because increasing population is generally the result of more jobs, a high level of immigration and a stable or expanding economy.

From 1960 to 2010, population in the eight-county region has grown from 1.6 million to 5.9 million (estimated), and is projected to reach 6.4 million by 2015. This is an annual compound growth rate of 1.9 percent per year. Fort Bend County is projected to grow 564,000 (estimated) in 2010 to 655,000 in 2015, 3.3 percent per annum.

Population growth is made up of three primary components – Natural Increase (births minus deaths); Domestic Migration (from the U.S.); and International Migration (from outside the U.S.). Net in-migration, which is calculated based on the number of persons moving in versus the number moving out, has accounted for almost 50 percent of the growth in Houston Metro Area population over the 2000-2009 period. Approximately 60 percent of this net migration has come from outside the U.S., which is not surprising in view of Houston's status as an international trading and business center.

THE H-GAC 2040 REGIONAL GROWTH FORECAST

In late 2009, H-GAC embarked on the preparation of new forecasts for the Houston region. As the MPO for the 8-county Houston Transportation Management Area, the agency prepares regional and small area forecasts that are utilized in transportation and other regional planning efforts. This new effort will replace the 2035 Regional Growth Forecasts which were completed in 2006. In this new forecast process, the H-GAC is using a new approach for the small area forecasts of population and employment. They will be using “a micro-simulation of the real estate development industry which supplies residential and non-residential buildings to accommodate the growing population and employment.” The 2035 Forecasts were prepared using a model called UrbanSim. For the new 2040 Forecasts, they made a decision to implement the algorithms and ideas of UrbanSim in SAS, a data management and statistical analysis tool. They are calling their new model HGACSim.

Other public and private organizations have made population projections for the Houston Area. These include:

- The Texas State Data center;
- Moody’s;
- The Texas Water Development Board;
- Wood & Poole Economics, Inc.;
- University of Houston, Institute for Regional Forecasting;
- The Perryman Group; and
- IHS Global Insight.

All of these forecasts are alike in showing substantial future growth in the Houston region. From a current population of 5.85 million, the region is expected to grow to between 8.74 and 11.64 million residents by 2040. That range of annual growth is 98,300 to 195,000 new residents annually. Historically, the Houston region added an average of 118,000 new residents every year between 2000 and 2010. The H-GAC projection for 2040 was 9.7 million.

There have been several recent employment projections for the Houston Region. They were prepared by:

- The Houston-Galveston Area Council;
- University of Houston, Institute for Regional Forecasting;
- Moody’s; and
- The Perryman Group.

Employment projections for 2040 were all relatively close, ranging from 4.16 million to 4.20 million. The difference between the highest and lowest was only 181,000 or slightly over 4 percent.

COUNTY LEVEL POPULATION PROJECTIONS

Population projections for the eight counties in the region were compared in the CDS report. Data sources used were the following:

- H-GAC 2035 Forecasts prepared in 2006;
- Texas Water Development Board (TWBD) Forecasts;
- The 2010 forecasts from the UH-IRF;
- Texas State Data Center, Scenario 2000-2007;
- The new Version 1 2040 forecasts from the H-GAC; and
- Most recent forecasts from the UH-IRF (January 2011).

The H-GAC 2040 forecasts for Fort Bend, one of the fastest growing counties in the U.S., show the 2040 population approaching 1.5 million residents. Fort Bend has been recently growing at a rate of approximately 25,000 residents each year. The H-GAC forecasts add between 29,000 and 30,500 annually.

Details on these county population comparisons may be found in the full CDS report in Attachment B.

OVERALL EVALUATION OF H-GAC FORECASTS

CDS considered multiple independent forecasts to determine those that are most likely. Along with H-GAC's regional forecast, this report considered seven independent forecasts of population from respected organizations and three independent forecasts of employment.

The H-GAC's regional forecasts, from which their small area forecasts will be derived, tended to be in the middle of the independent forecasts considered in this project. It has been the conclusion of the CDS team that the H-GAC 2040 regional forecasts were reasonable and appropriate to form the basis of the small area forecasts to be used in the Grand Parkway Toll Road Study.

SMALL AREA FORECAST METHOD OVERVIEW

In general, the methodology CDS used, included the following steps:

1. Utilize the new forecasts of county-level jobs and population from the University of Houston – Institute for Regional Forecasting (UH-IRF);
2. Compile data on historical growth trends from the central appraisal districts for Harris, Waller, Montgomery and Fort Bend Counties; commercial development data from O'Connor and Associates; PCensus for Arcview; historical employment information from the Census Transportation Planning Package; and 2005 population and jobs from previous H-GAC forecasts;
3. Evaluate the growth trends in the previous H-GAC 2035 projections and the Version 1 H-GAC 2040 forecasts;
4. Investigate the forecasts of area governmental agencies and private organizations;
5. Evaluate the potential growth inducing effects of the Grand Parkway;
6. Implement a “shift-share” forecasting methodology at the RAZ level which takes into account; and
7. Disaggregate the RAZ forecast into the smaller zones.

FUTURE TRANSPORTATION NETWORK ASSUMPTIONS

Consideration of all changes in the transportation network including both highways and public transit were beyond the scope of the CDS study. However, major new planned facilities such as the Grand Parkway, the Fort Bend and Harris County Major Thoroughfare Plans, and known enhancement to existing facilities such as improvements to US-290, I-45 South and I-45 North, and planned light rail extensions were included.

CONTACT WITH AREA AGENCIES AND ORGANIZATIONS

In the course of developing Small Area forecasts, CDS sought out the demographic and economic projections used by key public sector agencies serving both the key areas of focus and the Houston region as a whole. CDS' goal was to understand the projections used by these organizations.

THE RAZ LEVEL FORECASTS

The forecasts at the RAZ level of geography were produced using a shift-share forecasting methodology, accounting for land availability throughout the process. The methodology involved establishment of county-level forecasts from 2010 to 2040 using the UH-IRF's most recent January 2011 forecasts. The shares of the future county housing units, population and jobs were then estimated for each 5-year period from 2010

to 2040. An area of detailed analysis, the Focus Area, that constituted the geographic areas surrounding the Grand Parkway Corridor was selected. Whole RAZ areas were included in the focus area as illustrated in Figure 5-2.

RAZ-level forecasts were made for each of 32 zones located within the Focus Area. These forecasts and short descriptions of the development trends within each zone may be found in the full CDS report.

DISTRIBUTING RAZ-LEVEL FORECAST DATA TO THE TAZ AND SAZ

The forecasts for the RAZ Zones were distributed to the smaller Traffic Analysis Zones (TAZ), and subsequent SAZ Zones, for the entire 8-county region. There are 3,216 forecast areas in the region. The methodology used to distribute the forecasts from the RAZ to the TAZ and SAZ zones is described in the CDS report.

The 2010 to 2040 population growth by small areas is shown on Figure 5-3. As can be seen from this map, there are many areas of relatively high population growth in the study Focus Area.

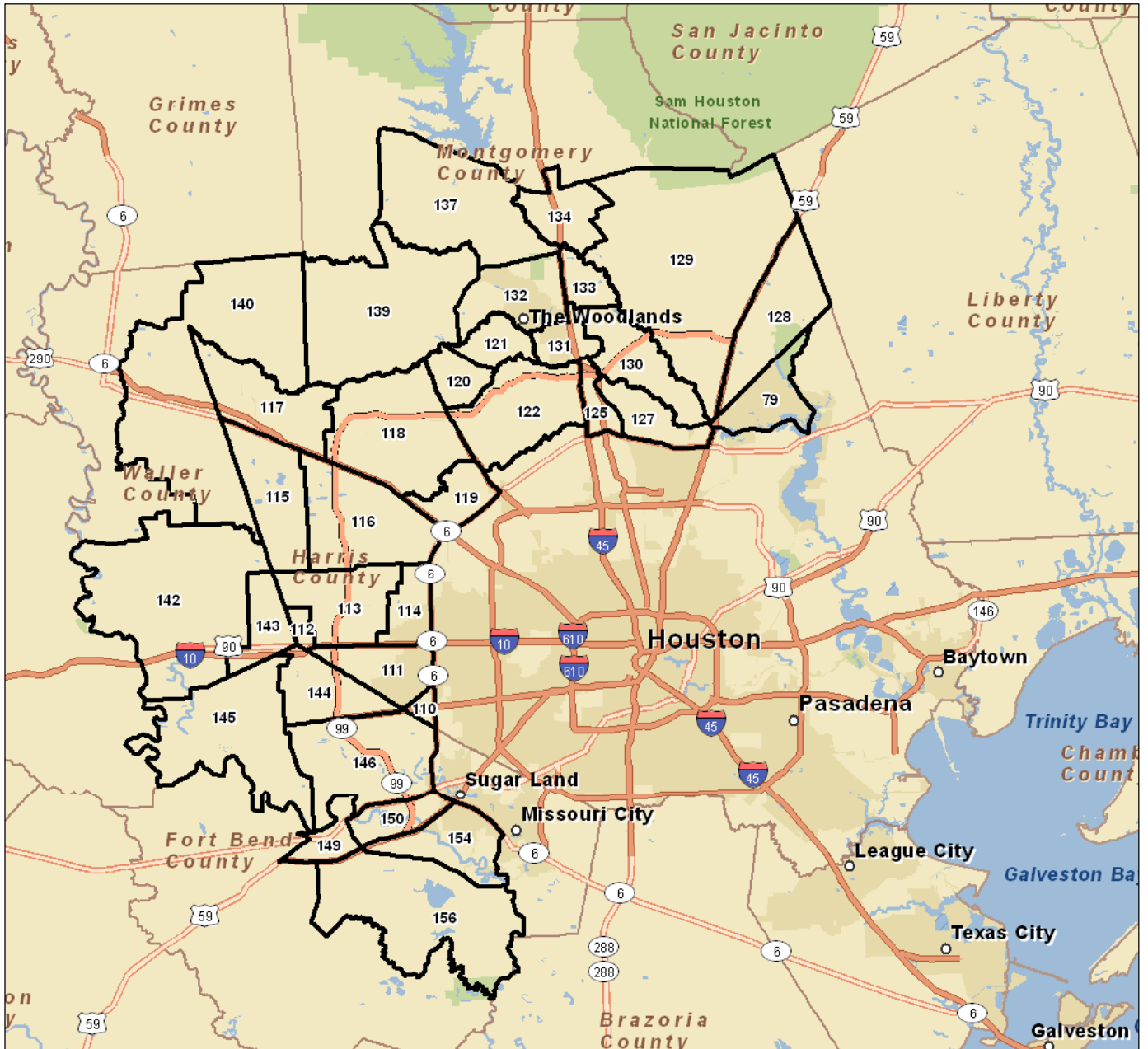
Figure 5-4 illustrates employment growth in the Focus Area between 2010 and 2040. Note that there is a heavy concentration of relatively high employment growth south and east of the Focus Area.

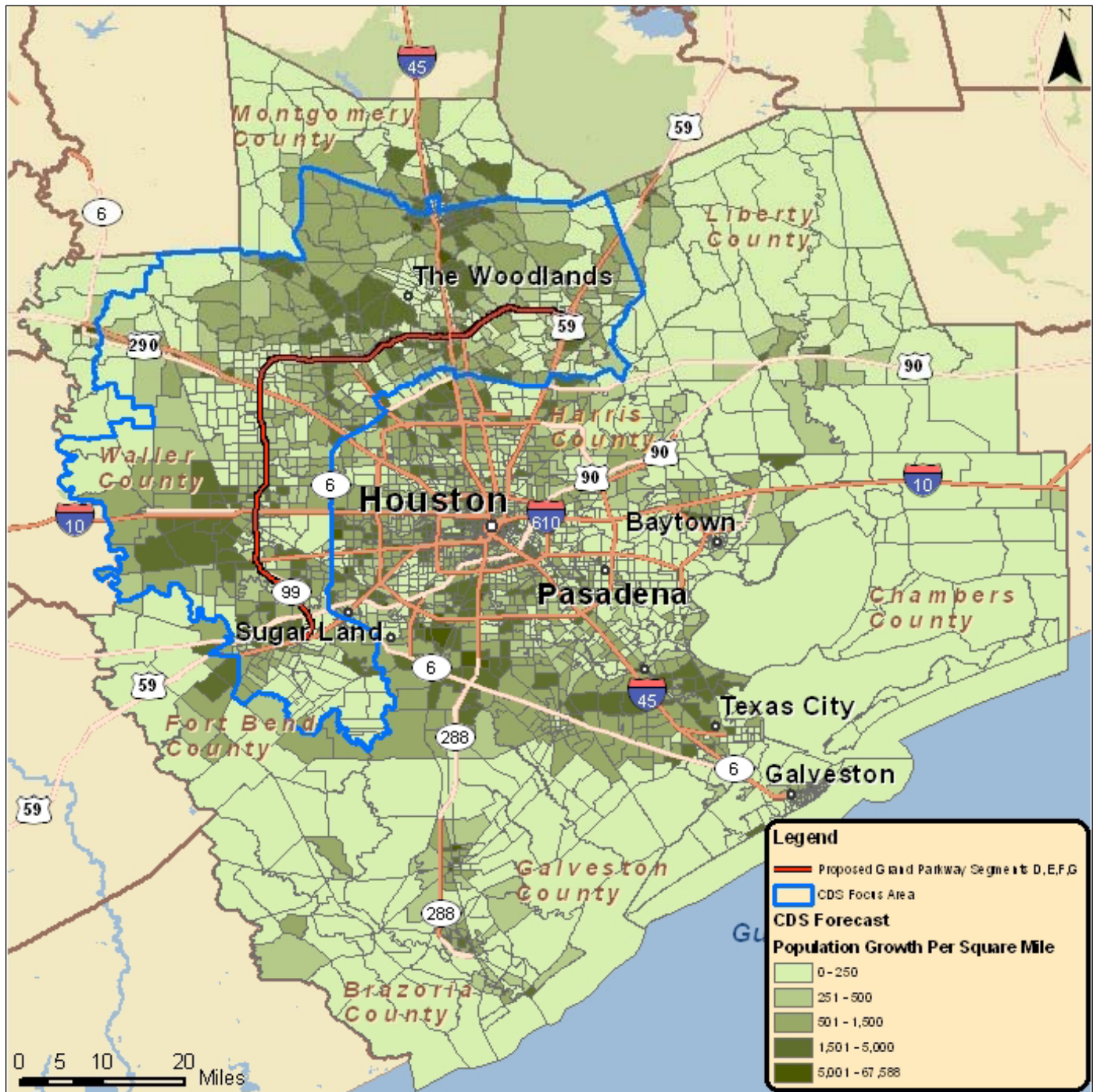
Detailed population and employment forecasts, by RAZ, can be found in Attachment A of the full CDS report.

CONCLUSIONS

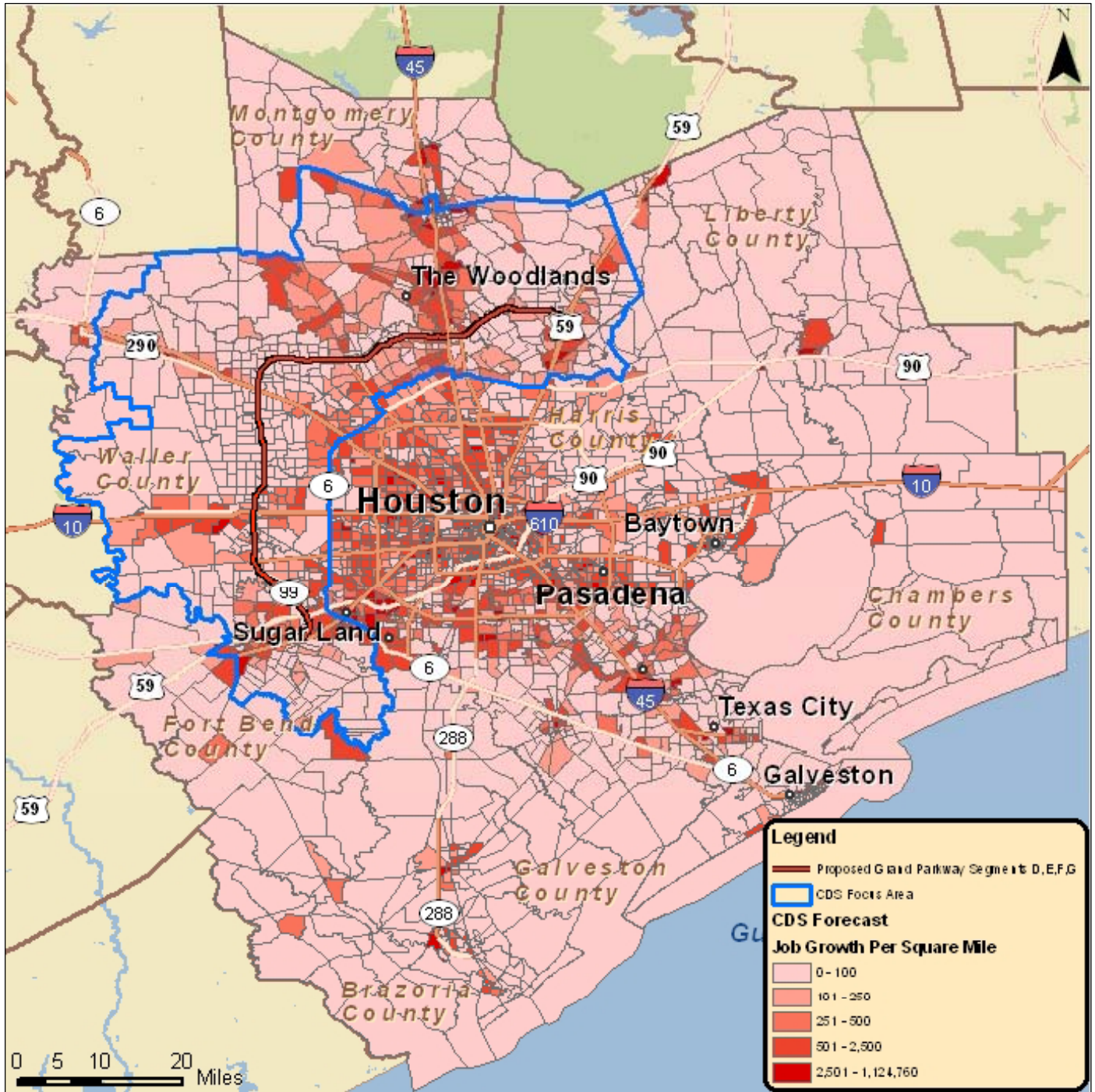
The region and Fort Bend County in particular has sustained very high growth rates in population, employment and other key demographic and economic variables over the past 40 years.

Relatively high levels of growth are expected to continue and the new Version 1 H-GAC 2040 Forecast estimates the region will grow from below 6 million today to 9.7 million by 2040. This is consistent with the consensus of a number of key forecasting groups reviewed. CDS has reviewed this forecast and found it to be reasonable at the regional level and adopted it as a basis for determining the distribution of small area growth in the region as described above and in more detail in their report. For small area growth, CDS is predicting higher share of the growth in the Segment D corridor than the to-be-revised H-GAC forecasts.





POPULATION GROWTH PER SQUARE MILE
 2010 TO 2040



JOB GROWTH PER SQUARE MILE
 2010 TO 2040

WSA used the CDS forecasts for base case models in the T&R estimates presented later in Chapter 6. However, accepting that risks are inherent in long-term forecasting, the impacts of several sensitivity tests on economic growth have been presented as follows:

- Base Case – Socioeconomics as revised by independent economist, CDS;
- Sensitivity Test – Base Case with a 25.0 percent reduction in growth implied in the base case; and
- Sensitivity Test – H-GAC Socio-economic forecasts (version 1 2040). It should be noted that the version1 H-GAC forecasts have not yet been adjusted at the small area zone level for new methodology and assumptions. This will result in significantly more conservative T&R estimates.

CHAPTER 6

TRAFFIC AND TOLL REVENUE ESTIMATES

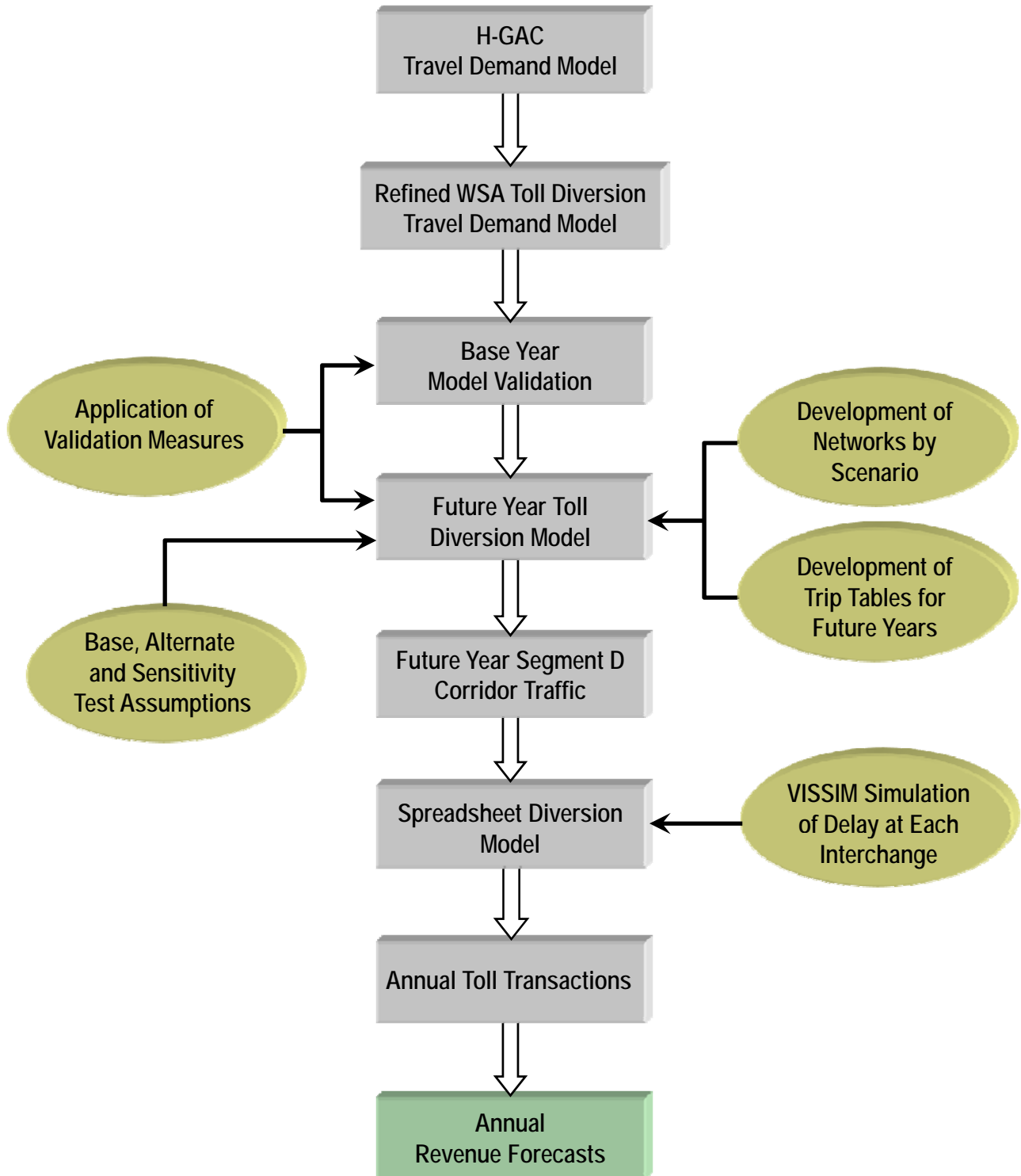
The demand on a toll facility is estimated by appropriate analysis, methodology, tools and assumptions. This has been accomplished by applying an updated travel demand model for the Houston region with appropriate refinements. This chapter explains the adopted toll analysis process for estimating volume of toll patrons and toll revenues generated in the future from Grand Parkway Segment D, followed by presentation of weekday and annual traffic and revenue forecasts.

This chapter first provides a brief outline of the regional model update and refinement process followed by description of other inputs used to update the model. These inputs include development of new origin-destination information from surveys as described in previous chapters, and adjustments made due to updated socio-economic datasets by the independent economist. In the following sections, the forecasting process is outlined by explaining the development processes of toll modeling components. Following this, a summary of the basic assumptions used for forecasting traffic and revenue for the Grand Parkway is presented. Finally, annual traffic and revenue forecasts produced from a series of future year model runs are presented.

TRAFFIC AND REVENUE FORECASTING PROCESS

A travel demand model was utilized to develop traffic and revenue forecasts. Figure 6-1 depicts a flow chart of the overall traffic and revenue forecasting process. The regional transportation planning area is defined by the regional Metropolitan Planning Organization (MPO) Houston-Galveston Area Council (H-GAC). The H-GAC Travel Demand Model is cooperatively developed and maintained by the H-GAC, the Texas Department of Transportation (TxDOT) and the Metropolitan Transit Authority (METRO). The H-GAC travel demand model was used as the foundation for developing a toll diversion model.

For the purposes of the study, the H-GAC model was converted into WSA standard toll diversion modeling framework. The model was then fine-tuned for base year through an



application of appropriate validation measures. After the base year model validation, future year model datasets including future year networks and trip tables were developed. Future year traffic assignments were conducted for base, alternate and sensitivity scenarios developed for the study. For each scenario, the future year network and trip tables were then input to the validated toll diversion model to produce forecasted traffic demand for future years. The forecasted demand was then brought in a spreadsheet model where diversion around each tolling location was estimated using relationships from a VISSIM based model that simulated delay at each interchange. Toll transactions at each of the tolling locations were then extracted from the spreadsheet model and forecasts for interim and out years were interpolated and extrapolated, respectively. Toll revenues were then estimated from the transaction forecasts with toll rates applied at tolling zones.

The following sections describe the travel demand model input, highway network and trip table development processes, a toll diversion methodology adopted for this study, and an overview of key input parameters in the traffic and revenue forecasting process.

THE H-GAC REGIONAL TRAVEL DEMAND MODEL

The eight-county Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area (CMSA) has been federally designated as the Transportation Management Area (TMA) for the Houston-Galveston region. The eight counties that are included in this geography are Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery and Waller County. The Houston-Galveston TMA extends over an area of 7,809 square miles. Land Use and Demographic forecasts for the TMA are developed by H-GAC.

The H-GAC has designated 3,000 detailed traffic analysis zones (TAZs) in the Houston-Galveston TMA. This includes 2,954 internal zones and 46 external stations. The internal zones are entirely within the TMA and the external stations are used to capture external-external and external-local trips into and through the TMA.

For the purposes of this study along with the HCTRA Grand Parkway Segments E through G study, a focus area was demarcated along the alignment of Grand Parkway segments D through G corridor. This geographic area was selected for a detailed analysis of demographics and economic projections. Within the focus area, the TAZs were further split into even smaller zones for a fine grain analysis to provide best possible local socio-economic information of the geographic area which would feed traffic directly into the proposed Grand Parkway corridor.

BASE YEAR MODEL VALIDATION

Model validation tests the ability of the model to closely replicate the existing travel patterns before it can be used to estimate reliable forecasts. As mentioned previously, the model was fine-tuned for base year through an application of appropriate validation measures. These measures primarily include a detailed verification of the existing local

road network in the Segment D vicinity, posted and observed speeds through WSA reconnaissance and speed delay surveys, and reflecting the appropriate capacity on Segment D and other key routes in the vicinity of the project corridor.

Model validation was performed for year 2010 by comparing observed counts with estimated traffic volumes obtained from the base year 2010 model run. Before validation, screenlines were selected at locations across the Segment D focus area, mainly between SH 99 and Sam Houston Tollway limits, to capture traffic profiles in the area. On each of these screenlines, traffic counts were obtained from various sources and coded in the base year highway network. Base year validation was conducted to obtain reasonable matches between the observed and estimated traffic volumes at the screenlines.

HIGHWAY NETWORK DEVELOPMENT

The model network encompasses eight counties: Harris, Fort Bend, Brazoria, Montgomery, Galveston, Waller, Chambers and Liberty counties. This model area is represented by more than 3,400 traffic analysis zones after disaggregation. The base year model network was reviewed and adjusted based on current speed observations, number of lanes, and other link attributes including facility type, capacity, and link distance.

The future year networks were then reviewed against the current transportation improvement plans to confirm that committed and funded improvements were included. Following is a list of various sources of information which were used to develop future year networks including Segment D alignments and other key transportation corridors in the regional model.

1. SH 99 Segment D Diagrammatic Layout, by LJA Engineering, Inc.
2. SH 99 Business Terms and Conditions – Grand Parkway Project Description, adopted by stakeholders.
3. 2011-2014 Transportation Improvement Plan (TIP update 6/30/2010), by H-GAC.
4. 2035 Regional Transportation Plan (RTP update 1/21/2011), by H-GAC.

H-GAC adopted the 2035 RTP with total future revenues for transportation expenditures forecast to be \$156.7 billion. However, the latest State forecast predicts much lower revenue from State and Federal motor fuels taxes. In order to reflect the revised revenue forecast through 2035 for the Houston region, which is approximately half of the previously adopted forecast, H-GAC released the latest 2035 RTP update in January 2011. According to H-GAC, many projects on the State system were removed as a consequence of the revised revenue forecast and updates have been made to project costs, limits, and scope. This led to a resultant RTP totaling approximately \$87 billion.

A major effort was made to review all TIP and RTP projects and to identify and select the projects which would potentially impact traffic on Grand Parkway, interstate highways,

and major arterials in the Houston metropolitan area. The selected projects mainly included new construction, managed lane and capacity expansion projects.

TRIP TABLE ADJUSTMENTS

The travel demand model used for the revenue estimation process is based on the forecasts of socioeconomic variables such as population, households, and employment. These socioeconomic forecasts are used to generate vehicular trips that are, in turn, assigned on the transportation network. WSA appointed an independent economist firm CDS to review and adjust the population and employment growth at five year intervals beginning 2010 from the H-GAC travel demand model. A summary of CDS' analysis is presented in Chapter 5 and a detailed report has been attached as Attachment B of this report. These forecasts were then used as an input to the WSA fine-tuned four step model to obtain adjusted trip tables.

TOLL DIVERSION METHODOLOGY

A toll diversion model was used to estimate the market share of toll and non-toll facilities based on factors such as value of time, operating cost, toll cost, and congestion. An algorithm was used to determine the minimum time path between each zone pair. The minimum time path may or may not include the use of toll facilities.

For the trips that may potentially use toll facilities, travel time and distance of the toll facility routing was compared with that of the best alternative route not involving a toll payment. A share of the total traffic moving between each pair of zones is then assigned to the toll facility routing, while the remaining portion is assigned to the best toll-free alternative route. The model's estimate of the toll facility's market share is a function of time savings, distance relationships, toll rate, and estimates of perceived value of time and vehicle operating costs by the motorists. As the cost of the toll facility routing increases when compared to the toll-free routing, the share of traffic using the toll road would decrease.

VALUES-OF-TIME AND VEHICLE OPERATING COSTS

Motorists' value of time (VOT), or willingness to pay tolls to reduce travel time and receive an improved level of service of travel, is estimated through a stated-preference survey conducted by RSG. As mentioned previously in Chapter 4, a detailed report of their analysis is presented in Attachment A. The VOT for future years were estimated by inflating to the respective year using an annual average 2.5 percent growth rate.

The vehicle operating cost used in the analysis was calculated by taking into account the average per-mile costs of gasoline and oil, and to a lesser extent, maintenance, and wear and tear of tires for vehicles in the area. For this study, it was assumed that fuel efficiency of vehicles would improve in future years. The average fuel efficiency of passenger cars was assumed to increase from approximately 27 miles per gallon in 2011

to about 40 miles per gallon in 2035. Future gasoline prices were assumed to remain at approximately \$3.00 per gallon in real terms for the base case.

The resulting vehicle operating costs adopted for this study are shown in Table 6-1.

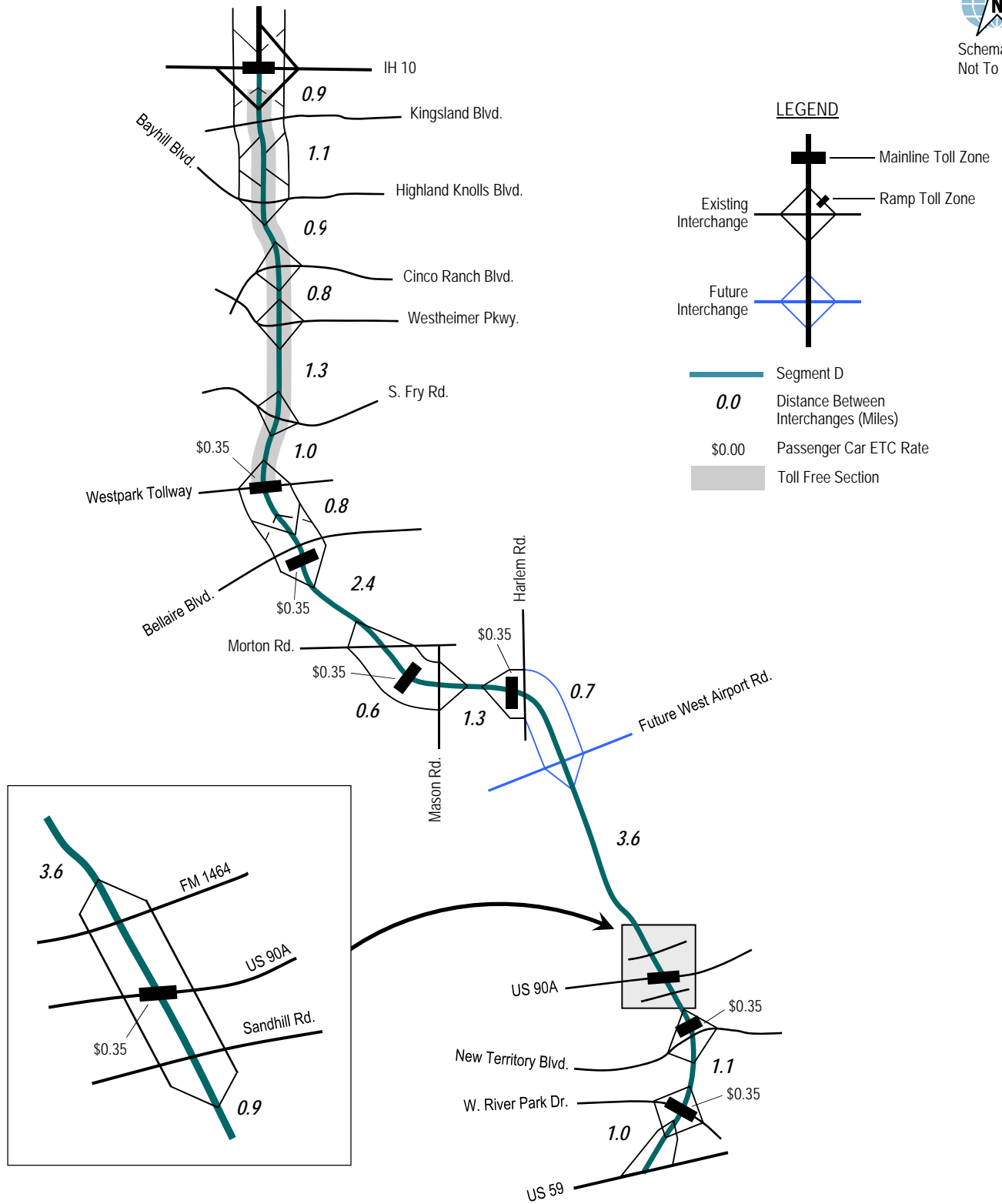
Year	Passenger	Commercial
	Cars	Vehicles
2010	\$0.185	\$0.974
2011	0.189	0.995
2015	0.194	1.023
2020	0.208	1.093
2025	0.229	1.203
2035	0.275	1.446

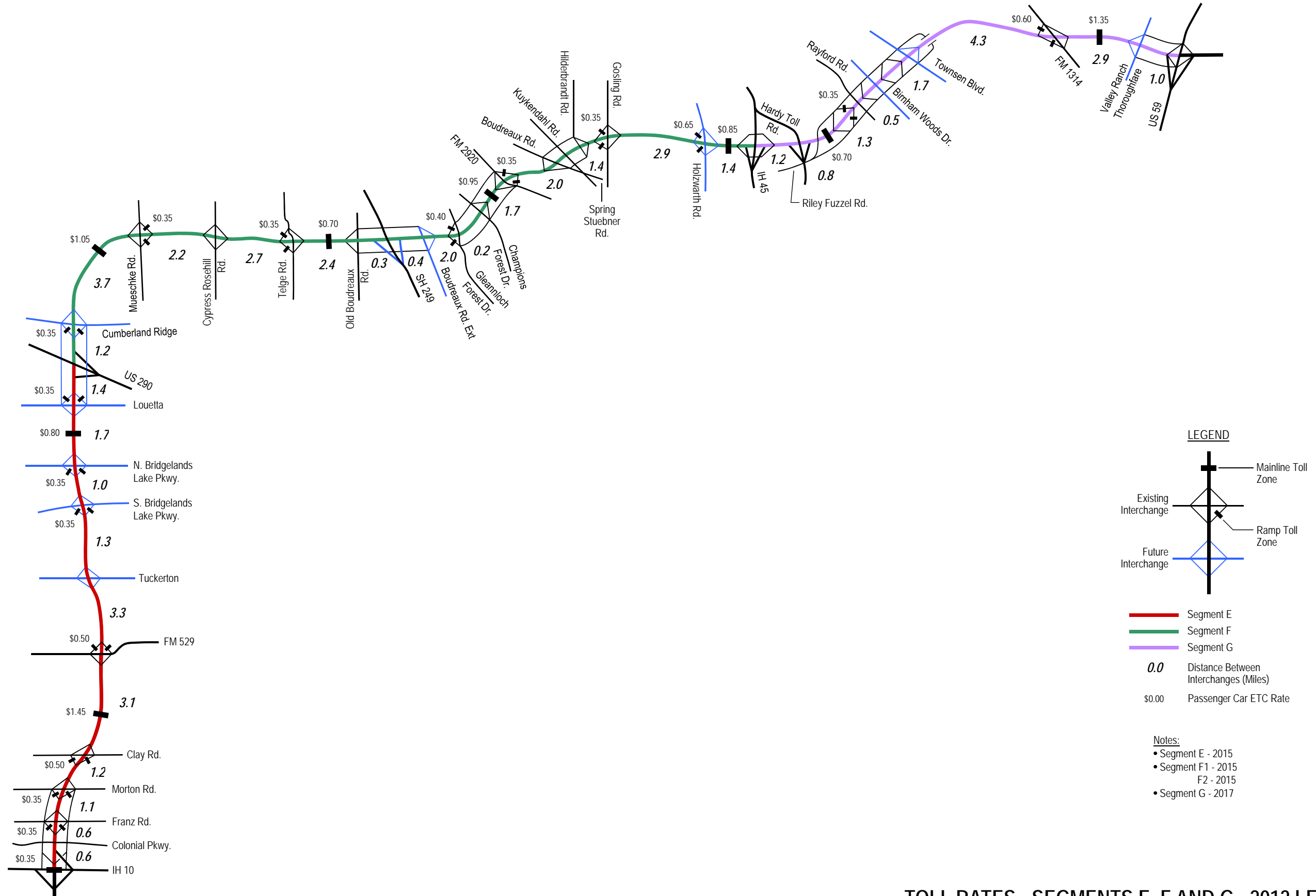
TOLL RATES

The Segment D tolling plan comprises of seven mainline tolling locations. These comprise tolling plazas at the interchanges on Westpark Tollway, Bellaire Boulevard, Mason Road, Harlem Road, US 90A, New Territory Boulevard, and W. River Park Drive.

Toll rates for users on the Grand Parkway system would be established at an overall per-mile rate of \$0.15 at base 2012 levels. A minimum toll of \$0.35 (in 2012 prices) at each tolling location would be collected. Figure 6-2 presents the tolling configuration graphically at 2012 levels. This base year rate has subsequently been adopted in the terms of Primacy for the project. For purposes of estimating future toll levels, a nominal inflation assumption of 2.25 percent per year would be used for calculating future toll rates up to 2014 and 2.50 percent thereafter. The facility will utilize electronic tolling collection (ETC) only; it is assumed that no video tolling will be in use.

With these current tolling assumptions, a total (2012) base toll of \$2.45 would be in effect for ETC customers for traveling through the entire length of Segment D. This represents a per-mile ETC toll rate of approximately 13.2 cents for travel on the whole of Segment D. For purposes of this study, the tolling configuration assumed for Segments E through G of the Grand Parkway corridor have been presented in Figure 6-3.





LEGEND

- Mainline Toll Zone
- Existing Interchange
- Ramp Toll Zone
- Future Interchange
- Segment E
- Segment F
- Segment G
- 0.0 Distance Between Interchanges (Miles)
- \$0.00 Passenger Car ETC Rate

Notes:

- Segment E - 2015
- Segment F1 - 2015
- F2 - 2015
- Segment G - 2017

OTHER BASIC ASSUMPTIONS

Traffic and revenue estimates for the proposed Grand Parkway were predicated on the following basic assumptions:

1. The various segments of Grand Parkway would be opened by January 1 of the years shown in Figure 1-2.
2. Cashless toll collection will be used for Grand Parkway Segment D; ETC-only will be utilized. Video tolling will not be used at any stage on Segment D corridor. Prior to 2025 it is assumed transponder usage will continue to grow as toll agencies move towards all electronic tolling and cash collection is phased out. Beginning in 2025, all vehicles in the region are assumed to be equipped for electronic toll collection.
3. Tolls on the existing HCTRA and Fort Bend County toll systems, along with those on future expansion sections and new toll road facilities, are all assumed to be increased annually at 2.25 percent until 2015 and 2.5 percent annually thereafter.
4. It is assumed that expansion to six lanes will take place on as-needed basis and capacity constraints have been applied in the peak periods in outer years where capacity constraints of the future six lane facility have exceeded.
5. The section of Segment D between I.H. 10 and Westpark Tollway will remain tollfree.
6. It is assumed signal timings on Segment D frontage roads will not adversely favor diversion around overpasses.
7. Revenue estimates have not been adjusted to reflect any estimates of leakage due to toll evasion or system failures. Any such adjustments for leakage should be made by others in the financial analysis.
8. No other competing facilities, toll or toll-free, beyond those included in the H-GAC regional transportation plan, and/or the toll road expansion programs of TxDOT, HCTRA and FBCTRA, shall be implemented within the forecast period.
9. Grand Parkway is assumed to be properly maintained, efficiently operated and appropriately promoted and signed to encourage maximum usage.
10. No national, regional or local emergency will occur which would abnormally restrict the use of motor vehicles for the duration of the forecast period.
11. Motor fuel will remain in adequate supply for the forecast period, and overall long term increases in price will not be substantially greater than the rate of inflation.

WSA anticipates that any significant departure from these key assumptions could have a material impact on traffic and revenue forecasts for the proposed Grand Parkway Segment D.

ESTIMATED AVERAGE WEEKDAY TRAFFIC

Future year traffic assignments were made using the refined model and modeling approach described above. Assignments were made at different year levels. Traffic assignments reflected typical “weekday” conditions; traffic volumes on weekends would tend to be lower, as would overall seven day average daily traffic conditions. The average weekday traffic demand were then run through the spreadsheet-based diversion model that estimated the market share based on the total though traffic at every interchange.

ESTIMATED 2020 WEEKDAY TRAFFIC

Figure 6-4 presents estimated weekday traffic on the proposed Grand Parkway Segment D in 2020. As can be noted, traffic on the mainline sections between I.H. 10 and Westpark Tollway is expected to reach almost 100,000 vehicles per day. This could be compared to almost 85,000 vehicles per day in the base year 2010.

The mainline sections south of Westpark are expected to carry approximately 70,000 vehicles per day. Specifically, the tolling locations at Westpark Tollway and US 90 overpasses are estimated to have 35,800 and 40,600 transactions, respectively. Market share of tolled transactions at each tolling location has been presented in Figure 6-5.

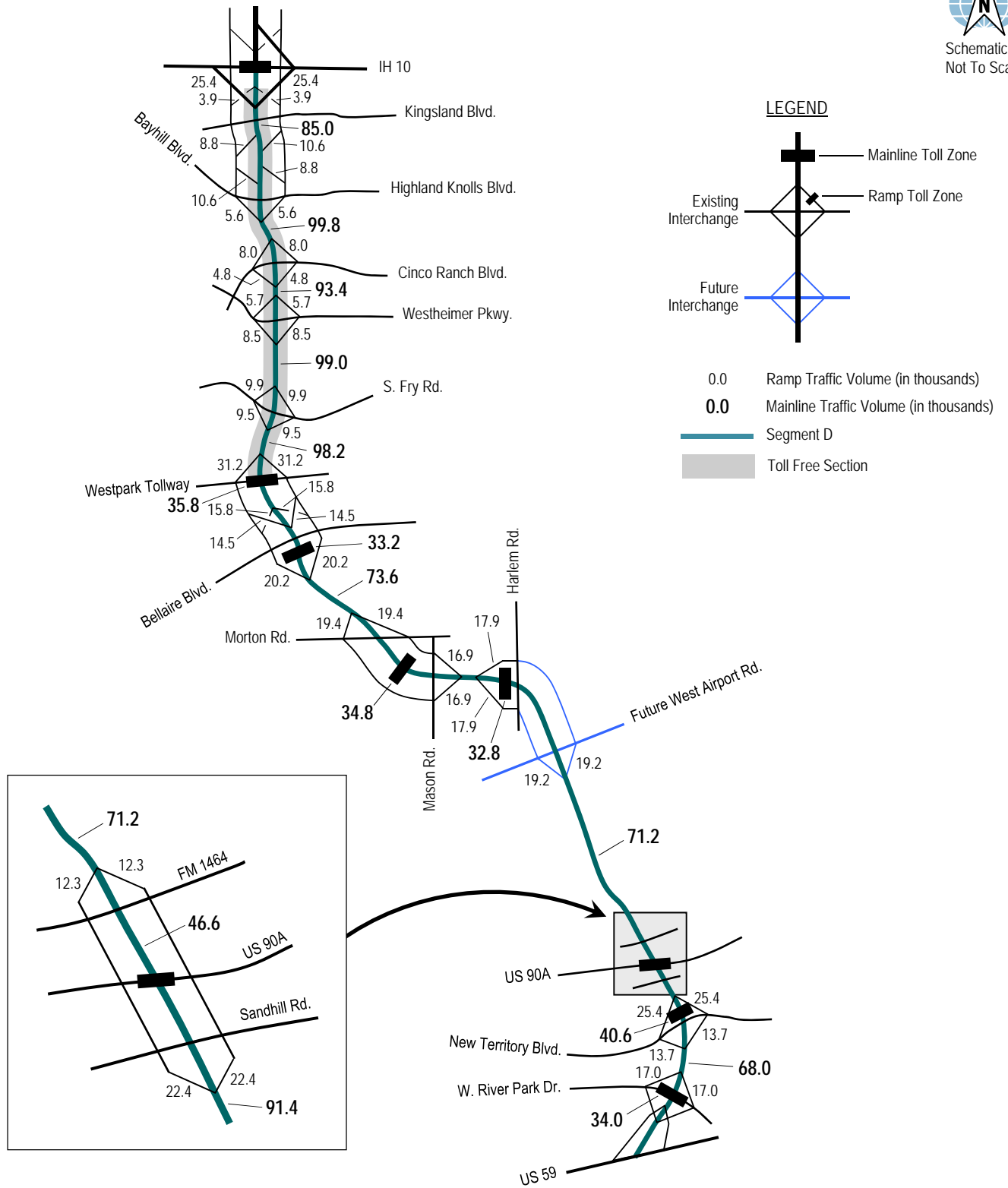
ESTIMATED 2035 WEEKDAY TRAFFIC

Figure 6-6 presents estimated weekday traffic on the proposed Grand Parkway Segment D in 2035. The mainline sections between I.H. 10 and Westpark Tollway are expected to carry approximately 145,000 vehicles per day. The proposed portion south of Westpark Tollway is expected to carry mainline traffic in the range of 114,400 to 135,200 vehicles per day. Looking at specific tolling zones at the Westpark Tollway and US 90 overpasses, estimated weekday transactions are 74,600 and 84,000 respectively. Market share of tolled transactions at each tolling location has been presented in Figure 6-7.

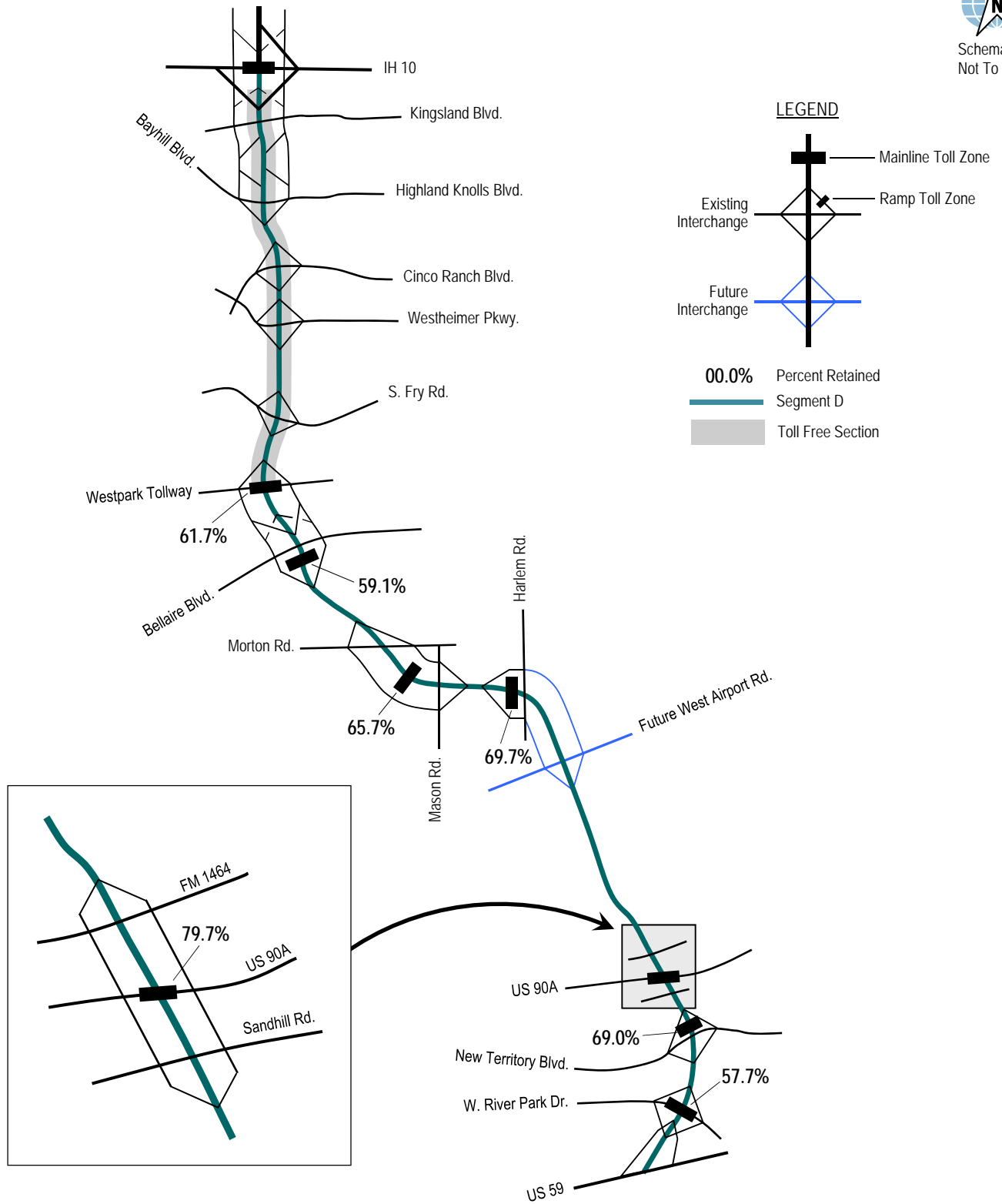
ESTIMATED ANNUAL TRANSACTIONS AND REVENUE

Table 6-2 below presents the base case traffic and toll revenue estimates for Grand Parkway Segment D through the year 2055. Also shown is the market share of tolled transactions based on the sum of through traffic at all tolling locations. Significant growth and usage of the tolled mainline overpasses is predicted to occur due to the projected growth of Fort Bend County, specifically the Grand Parkway corridor.

There are multiple factors contributing to the very optimistic toll feasibility potential of Segment D. These have been described throughout this comprehensive T&R study report and summarized briefly as follows:



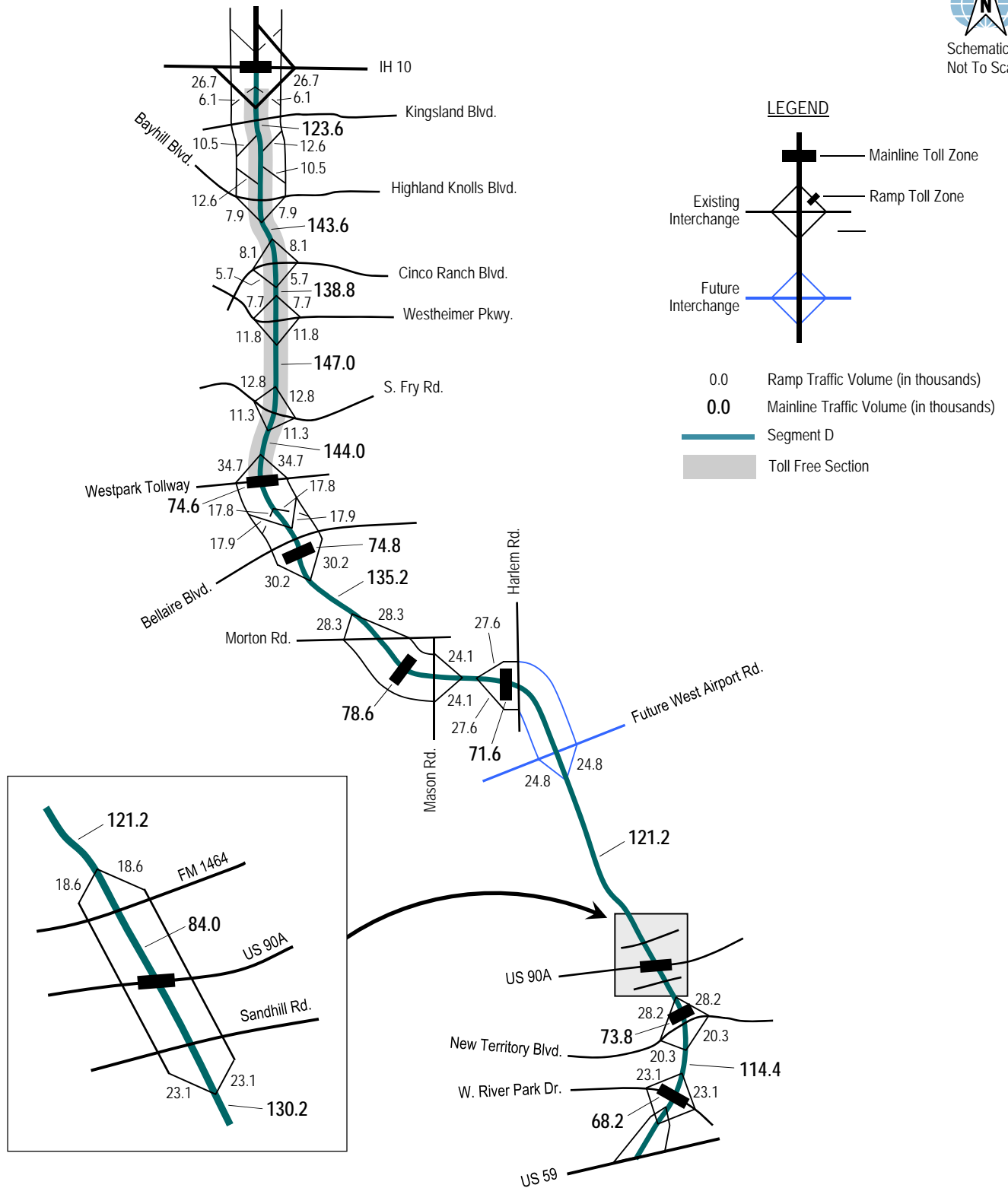
**ESTIMATED WEEKDAY TRAFFIC
SEGMENT D - 2020**



TOLL TRANSACTIONS MARKET SHARE
SEGMENT D - 2020

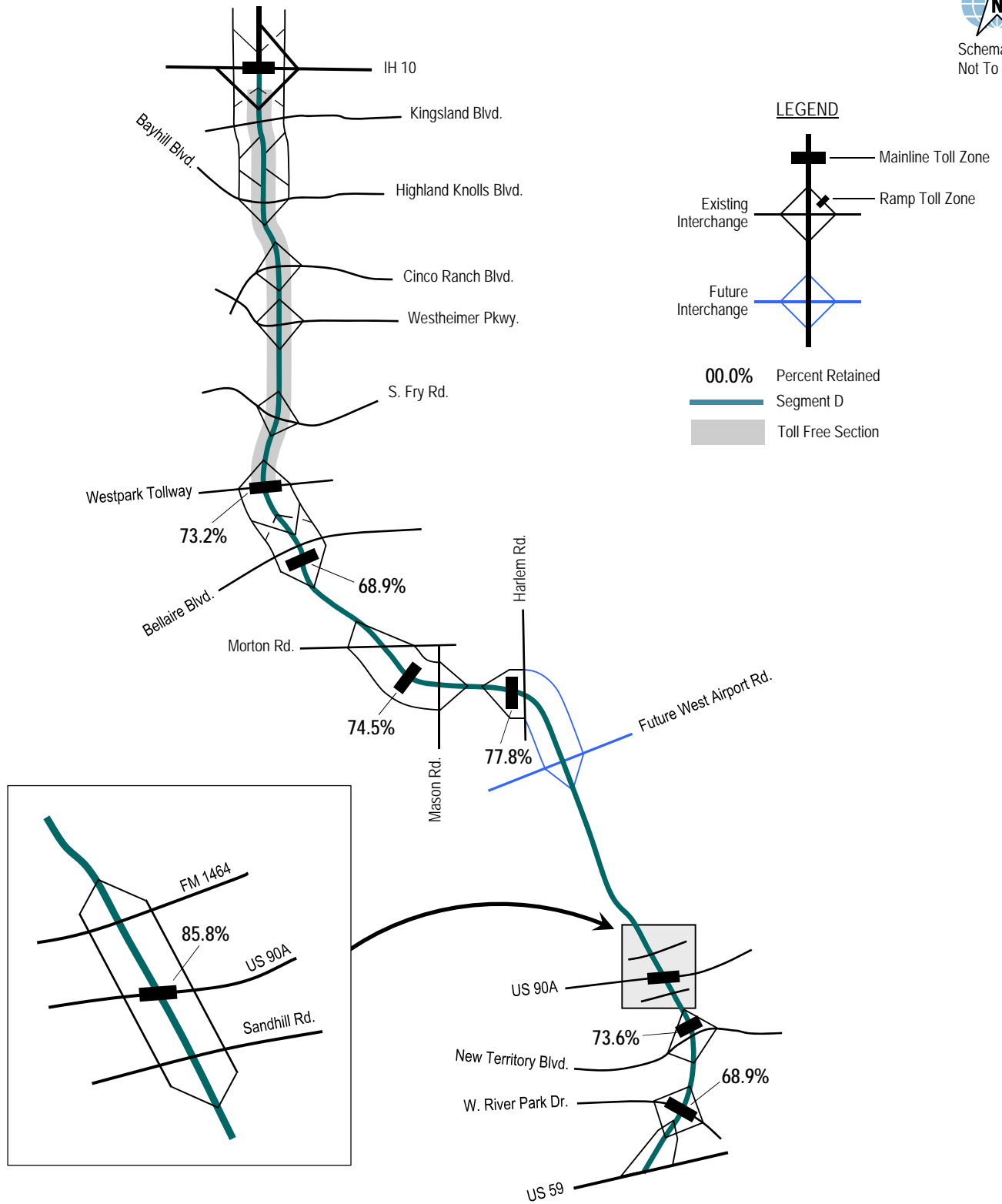
Fort Bend Grand Parkway Toll Road Authority
 Grand Parkway Segment D, Comprehensive Traffic and Revenue Study 2011

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Schematic
Not To Scale



TOLL TRANSACTIONS MARKET SHARE
SEGMENT D - 2035

Table 6-2
Grand Parkway Segment D - Annual Transactions and Toll Revenues at Tolled Overpasses
Base Case Forecast
(in thousands)
Including Ramp Up Effects

	Transactions			Sum of		Toll Revenues			Rev/Tr
	Passenger	Commercial	Total	Through	Market	Passenger	Commercial	Total	
	Cars	Vehicles	Vehicles	Traffic	Share	Cars	Vehicles	Vehicles	
2014 ⁽¹⁾	27,404	1,805	29,209	52,909	55.2%	\$10,139	\$1,986	\$12,125	\$0.42
<u>2015</u> ⁽²⁾	<u>33,552</u>	<u>2,281</u>	<u>35,833</u>	<u>63,077</u>	<u>56.8%</u>	<u>12,750</u>	<u>2,577</u>	<u>15,327</u>	<u>0.43</u>
2016	40,508	2,807	43,314	74,064	58.5%	15,393	3,228	18,621	0.43
2017 ⁽³⁾	47,333	3,342	50,675	84,087	60.3%	18,460	3,944	22,403	0.44
2018	54,299	3,907	58,206	93,673	62.1%	21,719	4,727	26,447	0.45
2019 ⁽⁴⁾	63,655	4,662	68,317	106,704	64.0%	26,098	5,781	31,879	0.47
<u>2020</u>	<u>73,161</u>	<u>5,456</u>	<u>78,617</u>	<u>119,100</u>	<u>66.0%</u>	<u>30,728</u>	<u>6,929</u>	<u>37,657</u>	<u>0.48</u>
2021	78,808	5,781	84,588	126,859	66.7%	33,887	7,515	41,402	0.49
2022 ⁽⁵⁾	84,689	6,109	90,798	134,802	67.4%	38,110	8,186	46,296	0.51
2023	90,754	6,438	97,192	142,838	68.0%	41,747	8,819	50,566	0.52
2024	97,249	6,781	104,030	151,344	68.7%	45,707	9,562	55,269	0.53
<u>2025</u>	<u>103,425</u>	<u>7,087</u>	<u>110,512</u>	<u>159,139</u>	<u>69.4%</u>	<u>49,644</u>	<u>10,205</u>	<u>59,849</u>	<u>0.54</u>
2026	106,968	7,203	114,170	163,244	69.9%	52,414	10,660	63,074	0.55
2027	110,634	7,319	117,953	167,459	70.4%	55,317	11,051	66,369	0.56
2028	114,430	7,435	121,865	171,789	70.9%	59,504	11,524	71,028	0.58
2029	118,359	7,551	125,910	176,236	71.4%	62,730	12,006	74,737	0.59
2030	122,427	7,667	130,094	180,803	72.0%	66,110	12,497	78,607	0.60
2031	126,566	7,854	134,420	185,494	72.5%	70,877	13,116	83,993	0.62
2032 ⁽⁶⁾	134,494	8,257	142,751	195,634	73.0%	76,662	14,119	90,780	0.64
2033	140,287	8,530	148,817	202,517	73.5%	81,367	14,927	96,293	0.65
2034	145,940	8,789	154,729	209,083	74.0%	87,564	15,821	103,385	0.67
<u>2035</u>	<u>151,224</u>	<u>9,023</u>	<u>160,247</u>	<u>215,011</u>	<u>74.5%</u>	<u>92,247</u>	<u>16,602</u>	<u>108,849</u>	<u>0.68</u>
2036	154,324	9,129	163,452	218,170	74.9%	97,224	17,253	114,477	0.70
2037	157,487	9,235	166,721	221,375	75.3%	102,366	17,916	120,282	0.72
2038	160,714	9,342	170,056	224,627	75.7%	106,071	18,590	124,661	0.73
2039	164,008	9,449	173,457	227,927	76.1%	111,525	19,276	130,802	0.75
2040	167,369	9,557	176,926	231,275	76.5%	117,158	19,974	137,133	0.78
2041	169,125	9,571	178,695	232,822	76.8%	120,078	20,482	140,560	0.79
2042	170,898	9,584	180,482	234,380	77.0%	124,756	20,989	145,745	0.81
2043	172,691	9,596	182,287	235,948	77.3%	129,518	21,592	151,110	0.83
2044	174,502	9,608	184,110	237,527	77.5%	134,367	22,098	156,465	0.85
<u>2045</u>	<u>176,332</u>	<u>9,619</u>	<u>185,951</u>	<u>239,116</u>	<u>77.8%</u>	<u>139,302</u>	<u>22,700</u>	<u>162,003</u>	<u>0.87</u>
2046	177,299	9,581	186,881	239,998	77.9%	143,613	23,187	166,800	0.89
2047	178,272	9,543	187,815	240,884	78.0%	147,966	23,667	171,633	0.91
2048	179,250	9,505	188,754	241,773	78.1%	152,362	24,142	176,504	0.94
2049	180,233	9,465	189,698	242,665	78.2%	156,803	24,704	181,507	0.96
2050	181,221	9,425	190,647	243,560	78.3%	161,287	25,165	186,452	0.98
2051	181,490	9,347	190,837	243,728	78.3%	165,156	25,612	190,768	1.00
2052	181,759	9,269	191,028	243,897	78.3%	170,853	26,046	196,900	1.03
2053	182,028	9,191	191,219	244,065	78.3%	174,747	26,470	201,217	1.05
2054	182,298	9,112	191,410	244,233	78.4%	178,652	26,882	205,534	1.07
2055	182,568	9,034	191,602	244,402	78.4%	184,394	27,282	211,676	1.10

Source: WSA Estimates, April 2011

⁽¹⁾ Opening year for Segment D

⁽²⁾ Opening year for Segments E and F

⁽³⁾ Opening year for Segment G

⁽⁴⁾ Opening year for Segment C

⁽⁵⁾ Opening year for Segments B and portion of I-2

⁽⁶⁾ Opening year for Segments H, I-1 and remaining portion of I-2

1. The Segment D corridor has significant existing travel demand. The existing highway at the northern end of Segment D is already well-trafficked and demonstrates a high level of overall demand for travel in the corridor. The central and southern sections would be expected to develop in a similar manner as additional growth occurs in the corridor. Current development plans and the forecasts provided by the independent economist confirm this future growth potential;
2. There is a consensus amongst forecasters that the Region and Fort Bend County in particular will continue to be a high growth area. It has also been recognized that growth in the region is not uniform and is likely to continue to grow to the west of the City of Houston for some time;
3. The corridor's growth potential is further strengthened if local and State transportation budgets continue to be constrained. Future growth and mobility will have to be accommodated by toll road construction. The future transportation plans do include a growth in lane miles in Fort Bend County and the region but not in proportion to the forecasted population growth. If so, the Grand Parkway will be the focus of development growth during the forecast horizon;
4. There is evidence from other toll facilities in the region that the population understands and capitalizes on the benefits of toll roads and there is already a high level of transponder ownership in the region;
5. Toll facilities in the region are successful. Most have witnessed incredible growth and ramp-up of traffic in the early years after opening;
6. Fort Bend County is a high-income area. Specific local values of time were estimated for the corridor and used in the modeling to estimate the level of toll diversion as conditions changed over time; and
7. Delays at the interchange will worsen over time as local traffic grows resulting in increasing market share and willingness to pay for usage of the tolled mainline overpasses.

Chapter 7 presents several analyses that quantify the impact of varying key future assumptions that differ from the base case assumptions.

* * *

DISCLAIMER

Current accepted professional practices and procedures were used in the development of these traffic and revenue forecasts. However, as with any forecast of the future, it should be understood that there may be differences between forecasted and actual results caused by events and circumstances beyond the control of the forecasters. In formulating its forecasts, WSA has reasonably relied upon the accuracy and completeness of information provided (both written and oral) by the local and state agencies. WSA also has relied upon the reasonable assurances of some independent parties and are not aware of any facts that would make such information misleading.

WSA has made qualitative judgments related to several key variables in the development and analysis of the traffic and revenue forecasts that must be considered as a whole; therefore selecting portions of any individual result without consideration of the intent of the whole may create a misleading or incomplete view of the results and the underlying methodologies used to obtain the results. WSA gives no opinion as to the value or merit to partial information extracted from this report.

All estimates and projections reported herein are based on WSA' experience and judgment. These estimates and projections may not be indicative of actual or future values, and are therefore subject to substantial uncertainty. Future developments cannot be predicted with certainty, and may affect the estimates or projections expressed in this report, such that WSA does not specifically guarantee or warrant any estimate or projections contained within this report.

While WSA believes that some of the projections or other forward-looking statements contained within the report are based on reasonable assumptions as of the date in the report, such forward looking statements involve risks and uncertainties that may cause actual results to differ materially from the results predicted. Therefore, following the date of this report, WSA will take no responsibility or assume any obligation to advise of changes that may affect its assumptions contained within the report, as they pertain to: socioeconomic and demographic forecasts, proposed residential or commercial land use development projects and/or potential improvements to the regional transportation network.

CHAPTER 7

ALTERNATE TRAFFIC AND REVENUE FORECASTS AND SENSITIVITY TESTS

Base case traffic and revenue forecasts for the proposed Grand Parkway Segment D corridor were presented in Chapter 6. As mentioned in the chapter, the base case forecast assumes construction of Segment D of the Grand Parkway followed by a phased opening for all other segments for the entire Grand Parkway project.

This chapter presents traffic and revenue estimates for an alternate scenario assuming construction of ‘Segment D only’ and a no-build assumption of other segments of the Grand Parkway project.

Finally, this chapter presents a series of sensitivity tests. This provides a comparison of annual transactions and toll revenue estimates at 2015 and 2035 levels against the base case forecast of four hypothetical future sensitivity scenarios relating to future gasoline prices and economic growth.

ALTERNATE ANNUAL T&R ESTIMATES – ‘SEGMENT D ONLY’

Table 7-1 presents transactions and toll revenue estimates for the alternate scenario. In addition, to the necessary network refinements required to represent the build-out for ‘Segment D only’, this assumes a somewhat lower growth in socio-economics for the entire Grand Parkway corridor.

Traffic and revenue is 15.0 percent to 20.0 percent lower throughout the forecast period as compared to the base case forecast presented in Chapter 6. Commercial vehicle traffic is predicted to be approximately 25.0 percent to 30.0 percent lower. The toll-paying market share of through traffic is also lower.

Table 7-1
Grand Parkway Segment D - Annual Transactions and Toll Revenues at Tolled Overpasses
Alternative Case - Segment D Only
(in thousands)
Including Ramp Up Effects

	Transactions			Sum of		Toll Revenues			Rev/T r
	Passenger	Commercial	Total	Through	Market	Passenger	Commercial	Total	
	Cars	Vehicles	Vehicles	Traffic	Share	Cars	Vehicles	Vehicles	
2014 ⁽¹⁾	27,404	1,805	29,209	54,066	54.0%	\$10,139	\$1,986	\$12,125	\$0.42
<u>2015</u>	<u>32,564</u>	<u>2,215</u>	<u>34,779</u>	<u>62,794</u>	<u>55.4%</u>	<u>12,374</u>	<u>2,503</u>	<u>14,877</u>	<u>0.43</u>
2016	38,276	2,645	40,921	72,048	56.8%	14,545	3,042	17,587	0.43
2017	42,750	3,001	45,752	78,445	58.3%	16,673	3,541	20,214	0.44
2018	47,758	3,405	51,164	85,429	59.9%	19,103	4,120	23,224	0.45
2019	53,365	3,863	57,229	93,058	61.5%	21,880	4,791	26,670	0.47
<u>2020</u>	<u>59,644</u>	<u>4,384</u>	<u>64,028</u>	<u>101,391</u>	<u>63.1%</u>	<u>25,051</u>	<u>5,567</u>	<u>30,618</u>	<u>0.48</u>
2021	64,251	4,564	68,815	107,463	64.0%	27,628	5,934	33,562	0.49
2022	69,228	4,749	73,976	113,923	64.9%	31,152	6,363	37,516	0.51
2023	74,605	4,936	79,541	120,796	65.8%	34,318	6,762	41,080	0.52
2024	80,415	5,126	85,541	128,111	66.8%	37,795	7,227	45,023	0.53
<u>2025</u>	<u>85,890</u>	<u>5,268</u>	<u>91,158</u>	<u>134,616</u>	<u>67.7%</u>	<u>41,227</u>	<u>7,586</u>	<u>48,813</u>	<u>0.54</u>
2026	89,511	5,287	94,798	139,239	68.1%	43,860	7,825	51,685	0.55
2027	93,286	5,300	98,586	144,025	68.5%	46,643	8,003	54,646	0.55
2028	97,223	5,305	102,528	148,980	68.8%	50,556	8,223	58,779	0.57
2029	101,329	5,303	106,631	154,110	69.2%	53,704	8,431	62,136	0.58
2030	105,610	5,292	110,902	159,421	69.6%	57,030	8,626	65,655	0.59
2031	109,895	5,452	115,347	164,920	69.9%	61,541	9,106	70,647	0.61
2032	114,357	5,618	119,974	170,614	70.3%	65,183	9,606	74,790	0.62
2033	119,003	5,788	124,790	176,510	70.7%	69,021	10,129	79,150	0.63
2034	123,841	5,963	129,804	182,615	71.1%	74,305	10,733	85,038	0.66
<u>2035</u>	<u>128,879</u>	<u>6,143</u>	<u>135,022</u>	<u>188,937</u>	<u>71.5%</u>	<u>78,616</u>	<u>11,303</u>	<u>89,919</u>	<u>0.67</u>
2036	131,838	6,222	138,060	192,510	71.7%	83,058	11,759	94,817	0.69
2037	134,865	6,301	141,167	196,151	72.0%	87,663	12,224	99,887	0.71
2038	137,962	6,381	144,343	199,861	72.2%	91,055	12,698	103,753	0.72
2039	141,129	6,461	147,591	203,641	72.5%	95,968	13,181	109,149	0.74
2040	144,370	6,542	150,911	207,492	72.7%	101,059	13,672	114,731	0.76
2041	146,240	6,558	152,798	209,757	72.8%	103,830	14,034	117,864	0.77
2042	148,134	6,574	154,708	212,046	73.0%	108,138	14,396	122,534	0.79
2043	150,053	6,588	156,641	214,360	73.1%	112,540	14,824	127,364	0.81
2044	151,997	6,603	158,600	216,700	73.2%	117,038	15,186	132,224	0.83
<u>2045</u>	<u>153,966</u>	<u>6,616</u>	<u>160,582</u>	<u>219,064</u>	<u>73.3%</u>	<u>121,633</u>	<u>15,615</u>	<u>137,247</u>	<u>0.85</u>
2046	155,575	6,613	162,188	221,346	73.3%	126,016	16,003	142,019	0.88
2047	157,201	6,609	163,810	223,651	73.2%	130,477	16,390	146,866	0.90
2048	158,844	6,604	165,448	225,980	73.2%	135,017	16,774	151,791	0.92
2049	160,504	6,598	167,102	228,333	73.2%	139,639	17,221	156,860	0.94
2050	162,182	6,592	168,773	230,710	73.2%	144,342	17,600	161,941	0.96
2051	163,065	6,552	169,617	232,190	73.1%	148,389	17,952	166,341	0.98
2052	163,954	6,511	170,465	233,679	72.9%	154,117	18,297	172,414	1.01
2053	164,847	6,470	171,318	235,178	72.8%	158,253	18,635	176,888	1.03
2054	165,745	6,429	172,174	236,686	72.7%	162,430	18,965	181,396	1.05
2055	166,648	6,387	173,035	238,204	72.6%	168,315	19,288	187,603	1.08

Source: WSA Estimates, April 2011
⁽¹⁾ Opening year for Segment D

SENSITIVITY TESTS

The base case and alternate forecasts for the Segment D of Grand Parkway corridor shown previously are based on certain assumptions of future economic growth, assumed gasoline prices and other factors. As noted previously, any forecast of the future is subject to considerable uncertainty. As such, most traffic and revenue forecasts to be used in support of project financing typically include sensitivity tests; in general these are intended to provide a general measure of the potential impact on the revenue forecasts associated with hypothetical changes in certain basic assumptions. These sensitivity tests provide a comparison with base and alternate case transaction and revenue forecasts as shown previously.

In all cases, the sensitivity tests were run for two discrete analysis years, namely 2015 and 2035. Three different sensitivity tests for the base case and one test for the alternate were run and forecast which are described briefly below.

HIGHER GAS PRICES

The United States experienced a significant increase in motor fuel prices in the summer of 2008, with prices reaching on average, higher than \$4.25 per gallon nationally. Recent increases in gas prices have also raised concerns with average gas prices exceeding \$4.00 in recent months. However, Houston area gas prices have averaged under \$3.00 for the past 12 months and have only exceeded \$3.00 for two short periods in the last six years. The study assumed in the base case and alternate case that gas prices would gradually return to about \$3.00 and then increase in proportion to inflation thereafter.

A sensitivity test was performed assuming gas prices increase to \$5.00 in real terms in 2015 and 2035. Vehicle operating cost factors were adjusted. More importantly, it was assumed that \$5.00 gasoline prices would also result in a reduction in total regional travel of approximately 6.5 percent for purposes of this test.

REDUCED LONG-TERM ECONOMIC GROWTH

The base case forecasts were predicated upon the regional socio-economic growth forecasts developed by the independent economist CDS. These forecasts were reviewed for reasonableness and determined to be sufficient to provide a reasonable basis of long-term traffic projections on the future Grand Parkway corridor. However, WSA also tested an alternative economic growth scenario assuming a 25 percent lower rate of economic growth throughout the region. This sensitivity test was performed for the base and alternate case forecasts.

These hypothetical cases were simulated by simply adjusting the rate of growth in trip tables developed from CDS socioeconomic forecast in each of the analysis years. Specifically, the rate of growth between 2010 and 2015 was adjusted down by 25 percent

from the base case traffic growth forecast developed from socioeconomic forecasts provided by CDS.

H-GAC SOCIO-ECONOMICS

As mentioned previously, the base case forecasts are based upon the regional socio-economic growth developed as a result of an independent analysis by CDS. WSA tested an alternative socio-economic growth scenario based on the regional forecasts as adopted by H-GAC in their latest update from December 2010. We understand that H-GAC have not fully updated their socio-economics and that their next model version will be closer to the CDS forecasts. However, this sensitivity test is useful as a very-low-case scenario of growth. It should be noted that all other components in WSA models for 2015 and 2035 were kept the same but the trips tables, which were replaced by the ones produced from the H-GAC regional socio-economic forecast.

SUMMARY OF SENSITIVITY RESULTS

A concise summary of the sensitivity tests results is shown in Table 7-2. The upper line in the table shows base case transaction and revenue forecast for the Segment D at 2015 and 2035 levels. For each of the sensitivity test scenarios described above, an alternative transactions and revenue forecast is shown for each year, together with a calculation of the net impact on transactions and revenue and the percentage impact on transactions and revenue plus or minus. The lower block in Table 7-2 presents net and percentage impact on Segment D total transactions and revenue compared to the alternate case forecast scenario with 'Segment D only'.

It is evident from Table 7-2 that the scenario tested for increased gas prices is estimated to lower transactions by 14.3 percent in 2015 and 8.5 percent in 2035. Transactions on Segment D are estimated to reduce to 30.7 million in 2015 compared to 35.8 million in the base case forecast in the year 2015 and to 146.7 million from 160.2 million in the year 2035.

The decreased long-term economic growth scenario results in 15.9 percent reduction in transactions and revenue in 2015. In this scenario, Segment D is estimated to have a total of 30.1 million transactions in 2015, observing a net impact of 5.7 million transactions. Similar impacts of 22.1 percent were estimated for the decreased long-term growth scenario for 2035. The total transactions on Segment D are estimated to reduce to 124.8 million, reflective of a net impact of 35.5 million transactions.

The sensitivity test run with the trip-tables based on H-GAC socio-economic growth forecasts predicts approximately 10.1 million less transactions in 2015 and 52.8 million less transactions in 2035. This translates to a negative impact of 28.3 percent and 32.9 percent in years 2015 and 2035, respectively as compared to the base case forecast.

Table 7-2
Sensitivity Test Results
(thousands)

Scenario	Annual Transactions		Toll Revenue	
	2015	2035	2015	2035
Base Case Forecast	35,833	160,247	\$15,327	\$108,849
Higher Gasoline Price ⁽¹⁾	30,717	146,662	\$13,139	\$99,621
Difference (vs Base)	(5,116)	(13,586)	(2,188)	(9,228)
Percent Difference (vs Base)	-14.3%	-8.5%	-14.3%	-8.5%
Lower Economic Growth ⁽²⁾	30,134	124,769	\$12,890	\$84,750
Difference (vs Base)	(5,698)	(35,479)	(2,437)	(24,099)
Percent Difference (vs Base)	-15.9%	-22.1%	-15.9%	-22.1%
Outdated H-GAC Socio-economics ⁽³⁾	25,696	107,463	\$10,991	\$72,995
Difference (vs Base)	(10,136)	(52,784)	(4,336)	(35,854)
Percent Difference (vs Base)	-28.3%	-32.9%	-28.3%	-32.9%
Alternate Forecast - Segment D only	34,779	135,022	\$14,877	\$89,919
Lower Economic Growth ⁽²⁾	29,198	104,229	\$12,490	\$69,412
Difference (vs Alternate)	(5,581)	(30,793)	(2,387)	(20,507)
Percent Difference (vs Alternate)	-16.0%	-22.8%	-16.0%	-22.8%

Source: WSA Estimates, April 2011

⁽¹⁾ Assumes gasoline prices increase to \$5/gallon.

⁽²⁾ Assumes decrease of 25 percent over base trip table growth.

⁽³⁾ Assumes trip tables produced from H-GAC socio-economic data.

The sensitivity scenario tested for lower economic growth on the alternate case forecast resulted in a decrease of 16.0 percent on transactions resulting in a net impact of 5.6 million in absolute terms for 2015. The year 2035 is estimated to have a negative impact of 22.8 percent on transactions resulting to a net impact of 30.8 million transactions.

APPENDIX B

CASH FLOW PROJECTIONS

The tables in this appendix provide certain information relating to the Bonds. Included in the tables are cash flow illustrations of gross and net revenues of the Fort Bend Grand Parkway, which constitute a portion of the Trust Estate under the Indenture. At the time of printing, the Authority does not have any toll road projects opened. Therefore, the revenues and expenses are purely estimates and are therefore speculative in nature.

The revenue illustrations are derived from the traffic and revenue study dated June 2011 (the “Traffic and Revenue Study”) prepared by Wilbur Smith Associates (now CDM Smith Inc.) in connection with the Fort Bend Grand Parkway. See Appendix A. The Traffic and Revenue Study contains many assumptions. The actual results of the Fort Bend Grand Parkway may vary materially from those assumptions. The Authority cannot predict with any certainty what the anticipated traffic counts and associated revenues will be on the Fort Bend Grand Parkway. In addition, the maintenance and operations expenses are based on a cost per toll transaction and utilize the same traffic count projections contained in the Traffic and Revenue Study. To the extent the actual traffic counts differ from those contained in the reports, the maintenance and operations expenses will experience a corresponding change.

Therefore, the tables included in this Appendix B are provided solely for illustration. The Authority makes no guaranty or warranty that the Fort Bend Grand Parkway will ever generate sufficient net revenues to cover the debt service on the Bonds.

Illustrative Cash Flow and Debt Service Coverage

Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012

Calendar Year	Projected Revenues ⁽¹⁾	Less: Projected Annual Transaction Expense ⁽²⁾	Less: Projected Annual Maintenance & Operating Expense ⁽³⁾	Projected Revenues Available for Debt Service	Projected Net Debt Service ⁽⁴⁾	Projected Net Debt Service Coverage Ratio	Annual Projected Net Revenue After Debt Service and Expenses	Calendar Year
2012	-	-	-	-	-	-	-	2012
2013	-	-	-	-	-	-	-	2013
2014	12,125,000	(2,920,900)	(1,250,000)	7,954,100	-	-	7,954,100	2014
2015	15,327,000	(3,583,300)	(1,500,000)	10,243,700	-	-	10,243,700	2015
2016	18,621,000	(4,331,500)	(1,530,000)	12,759,500	8,751,268	1.46	4,008,232	2016
2017	22,403,000	(5,067,500)	(1,560,600)	15,774,900	8,991,250	1.75	6,783,650	2017
2018	26,447,000	(5,820,600)	(1,591,812)	19,034,588	8,991,250	2.12	10,043,338	2018
2019	31,879,000	(6,831,700)	(1,623,648)	23,423,652	8,991,250	2.61	14,432,402	2019
2020	37,657,000	(7,861,700)	(1,656,121)	28,139,179	8,991,250	3.13	19,147,929	2020
2021	41,402,000	(8,458,900)	(1,689,244)	31,253,856	10,161,250	3.08	21,092,606	2021
2022	46,296,000	(9,079,800)	(1,723,029)	35,493,171	11,539,375	3.08	23,953,796	2022
2023	50,566,000	(9,719,200)	(1,757,489)	39,089,311	12,707,250	3.08	26,382,061	2023
2024	55,269,000	(10,403,000)	(1,792,639)	43,073,361	12,696,875	3.39	30,376,486	2024
2025	59,849,000	(11,051,200)	(1,828,492)	46,969,308	12,686,500	3.70	34,282,808	2025
2026	63,074,000	(11,417,100)	(1,865,061)	49,791,839	12,670,750	3.93	37,121,089	2026
2027	66,369,000	(11,795,300)	(1,902,363)	52,671,337	12,659,125	4.16	40,012,212	2027
2028	71,028,000	(12,186,500)	(1,940,410)	56,901,090	12,650,875	4.50	44,250,215	2028
2029	74,737,000	(12,591,000)	(1,979,218)	60,166,782	12,635,500	4.76	47,531,282	2029
2030	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,622,500	5.04	50,956,297	2030
2031	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,611,125	5.04	50,967,672	2031
2032	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,595,750	5.05	50,983,047	2032
2033	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,580,750	5.05	50,998,047	2033
2034	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,570,250	5.06	51,008,547	2034
2035	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,553,500	5.06	51,025,297	2035
2036	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,539,750	5.07	51,039,047	2036
2037	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,523,125	5.08	51,055,672	2037
2038	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,512,625	5.08	51,066,172	2038
2039	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,492,375	5.09	51,086,422	2039
2040	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,481,375	5.09	51,097,422	2040
2041	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,463,500	5.10	51,115,297	2041
2042	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,447,750	5.11	51,131,047	2042
2043	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,428,000	5.12	51,150,797	2043
2044	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,413,000	5.12	51,165,797	2044
2045	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,396,375	5.13	51,182,422	2045
2046	78,607,000	(13,009,400)	(2,018,803)	63,578,797	12,376,875	5.14	51,201,922	2046
	\$ 2,029,368,000	\$(354,279,000)	\$ (61,509,768)	\$ 1,613,579,232	\$ 367,732,393		\$ 1,245,846,839	

NOTES:

- (1) Revenues taken from Appendix A, CDM Smith Inc. (formerly Wilbur Smith & Associates), Table 6-2, dated April 15, 2011 (with bring down letter dated June 25, 2012). For periods after 2030, revenues have been assumed to remain constant (including no adjustment for inflation).
- (2) Assumed at \$0.10 per transaction, per Fort Bend Grand Parkway Toll Road Authority estimate. Estimated transactions are from Appendix A, Table 6-2 (see Note 1). Transactions estimate is held constant after 2030.
- (3) Based on maintenance and operating estimates from Fort Bend Grand Parkway Toll Road Authority.
- (4) Based on an estimated project fund deposit of \$150,548,410. Assumes an interest rate of 5.00%. Net of capitalized interest.

This is a projection of cash flow based on assumptions, current market conditions, and a flow of funds that allows for the accumulation of reserves. These cash flows will change based on market conditions at the time of the sale of the bonds, actual revenues and investment income, and actual construction costs and timing. There are usually differences in estimated and actual revenues because events and circumstances frequently do not occur as expected. Such differences may be material.

Illustrative Cash Flow and Debt Service Coverage with Discount
Fort Bend Grand Parkway Toll Road Authority
Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012

Calendar Year	Projected Revenues ⁽¹⁾	Multiplier ⁽²⁾	Adjusted Projected Revenues ⁽²⁾	Less: Projected Annual Transaction Expense ⁽³⁾	Less: Projected Annual Maintenance & Operating Expense ⁽⁴⁾	Projected Revenues Available for Debt Service	Projected Net Debt Service ⁽⁵⁾	Projected Net Debt Service Coverage Ratio	Annual Projected Net Revenue After Debt Service and Expenses	Calendar Year
2012	-		-	-	-	-	-	-	-	2012
2013	-		-	-	-	-	-	-	-	2013
2014	12,125,000	70.00%	8,487,500	(2,044,630)	(1,250,000)	5,192,870	-	-	5,192,870	2014
2015	15,327,000	70.00%	10,728,900	(2,508,310)	(1,500,000)	6,720,590	-	-	6,720,590	2015
2016	18,621,000	70.00%	13,034,700	(3,032,050)	(1,530,000)	8,472,650	8,751,268	0.97	(278,618)	2016
2017	22,403,000	70.00%	15,682,100	(3,547,250)	(1,560,600)	10,574,250	8,991,250	1.18	1,583,000	2017
2018	26,447,000	70.00%	18,512,900	(4,074,420)	(1,591,812)	12,846,668	8,991,250	1.43	3,855,418	2018
2019	31,879,000	70.00%	22,315,300	(4,782,190)	(1,623,648)	15,909,462	8,991,250	1.77	6,918,212	2019
2020	37,657,000	70.00%	26,359,900	(5,503,190)	(1,656,121)	19,200,589	8,991,250	2.14	10,209,339	2020
2021	41,402,000	70.00%	28,981,400	(5,921,230)	(1,689,244)	21,370,926	10,161,250	2.10	11,209,676	2021
2022	46,296,000	70.00%	32,407,200	(6,355,860)	(1,723,029)	24,328,311	11,539,375	2.11	12,788,936	2022
2023	50,566,000	70.00%	35,396,200	(6,803,440)	(1,757,489)	26,835,271	12,707,250	2.11	14,128,021	2023
2024	55,269,000	70.00%	38,688,300	(7,282,100)	(1,792,639)	29,613,561	12,696,875	2.33	16,916,686	2024
2025	59,849,000	70.00%	41,894,300	(7,735,840)	(1,828,492)	32,329,968	12,686,500	2.55	19,643,468	2025
2026	63,074,000	70.00%	44,151,800	(7,991,970)	(1,865,061)	34,294,769	12,670,750	2.71	21,624,019	2026
2027	66,369,000	70.00%	46,458,300	(8,256,710)	(1,902,363)	36,299,227	12,659,125	2.87	23,640,102	2027
2028	71,028,000	70.00%	49,719,600	(8,530,550)	(1,940,410)	39,248,640	12,650,875	3.10	26,597,765	2028
2029	74,737,000	70.00%	52,315,900	(8,813,700)	(1,979,218)	41,522,982	12,635,500	3.29	28,887,482	2029
2030	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,622,500	3.48	31,277,017	2030
2031	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,611,125	3.48	31,288,392	2031
2032	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,595,750	3.49	31,303,767	2032
2033	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,580,750	3.49	31,318,767	2033
2034	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,570,250	3.49	31,329,267	2034
2035	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,553,500	3.50	31,346,017	2035
2036	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,539,750	3.50	31,359,767	2036
2037	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,523,125	3.51	31,376,392	2037
2038	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,512,625	3.51	31,386,892	2038
2039	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,492,375	3.51	31,407,142	2039
2040	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,481,375	3.52	31,418,142	2040
2041	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,463,500	3.52	31,436,017	2041
2042	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,447,750	3.53	31,451,767	2042
2043	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,428,000	3.53	31,471,517	2043
2044	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,413,000	3.54	31,486,517	2044
2045	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,396,375	3.54	31,503,142	2045
2046	78,607,000	70.00%	55,024,900	(9,106,580)	(2,018,803)	43,899,517	12,376,875	3.55	31,522,642	2046
	\$ 2,029,368,000		\$ 1,420,557,600	\$ (247,995,300)	\$ (61,509,768)	\$ 1,111,052,532	\$ 367,732,393		\$ 743,320,139	

NOTES:

- (1) Revenues taken from Appendix A, CDM Smith Inc. (formerly Wilbur Smith & Associates), Table 6-2, dated April 15, 2011 (with bring down letter dated June 25, 2012). For periods after 2030, revenues have been assumed to remain constant (including no adjustment for inflation).
- (2) Revenues are reduced by 30% in each year for purposes of illustration.
- (3) Assumed at \$0.10 per transaction, per Fort Bend Grand Parkway Toll Road Authority estimate. Estimated transactions are from Appendix A, Table 6-2 (see Note 1). Transactions estimate is held constant after 2030.
- (4) Based on maintenance and operating estimates from Fort Bend Grand Parkway Toll Road Authority.
- (5) Based on an estimated project fund deposit of \$150,548,410. Assumes an interest rate of 5.00%. Net of capitalized interest.

This is a projection of cash flow based on assumptions, current market conditions, and a flow of funds that allows for the accumulation of reserves. These cash flows will change based on market conditions at the time of the sale of the bonds, actual revenues and investment income, and actual construction costs and timing. There are usually differences in estimated and actual revenues because events and circumstances frequently do not occur as expected. Such differences may be material.

APPENDIX C

**EXCERPTS FROM THE COUNTY'S
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2011**



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INDEPENDENT AUDITORS' REPORT

To the Honorable Robert E. Hebert, County Judge
and Members of the Commissioners Court
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Fort Bend County, Texas (the "County"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County, as of September 30, 2011, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 13 and 62 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and

other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Sugar Land & Co." The signature is written in dark ink and is positioned above the typed name and date.

Sugar Land, Texas
March 16, 2012

FORT BEND COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Fort Bend County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2011. The following narrative includes approximate values and percentages in the wording to summarize the schedules and financials in this report that include the exact values. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$717.7 million (net assets). Of this amount, there is a deficit of \$60.1 million in unrestricted net assets due to the continued liability increase for other post-employment benefits that now totals \$101.8 million.
- The County's total net assets increased by \$1.9 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$79.4 million, a decrease of \$68.4 million from the prior year.
- At the end of the current fiscal year approximately \$10.8 million is available for spending at the government's discretion in the General Fund (unassigned fund balance). This fund balance amounts to 5% of total General Fund expenditures. There is a deficit unassigned fund balance in the 2009 Mobility capital projects fund of \$4.4 million.
- The County's total long-term liabilities increased by \$13.7 million during the current fiscal year. The increase was primarily due to an increase in the other post-employment benefit obligations (OPEB) of \$26.6 million less net change in long-term debt related to bonds of \$13.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. As noted above this narrative includes approximate values and percentages in the wording to summarize the schedules and financials in this report that include the exact values. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements present functions of the County that are principally supported by taxes (governmental activities). The governmental activities of the County include general administration, financial administration, administration of justice, construction and maintenance, health and welfare, cooperative service, public safety, parks and recreation, libraries and education, and interest on long-term debt.

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The County's five discretely presented component units consist of the following:

- Fort Bend County Toll Road Authority
- Fort Bend Grand Parkway Toll Road Authority
- Fort Bend County Surface Water Supply Corporation
- Fort Bend County Housing Finance Corporation
- Fort Bend County Industrial Development Corporation

The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 62 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, both of which are considered to be major funds. Data from the other 60 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds

The County uses internal service funds to report activities that provide services for the County's other programs and activities. The Employee Benefits Fund and Other Self-Funded Insurance Fund are the County's internal service funds. Their purpose is to provide for the accumulation of money for insurance and employee benefits used in County operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 27 of this report.

Combining component unit financial statements

The County's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the major discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

The combining component unit financial statements can be found on pages 29 through 31 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 60 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. The County adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 62 through 73 of this report.

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$717.7 million at the close of the most recent fiscal year.

The County's capital assets (e.g., land, buildings, vehicles, machinery and equipment, office furniture and equipment, infrastructure, and construction-in-progress), less any related debt used to acquire those assets that is still outstanding, total \$773.3 million. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED SCHEDULE OF NET ASSETS

September 30, 2011 and 2010

	Primary Government Governmental Activities	
	2011	2010
Current and other assets	\$ 140,500,675	\$ 204,573,205
Capital assets, net	1,064,035,810	977,884,351
Total Assets	1,204,536,485	1,182,457,556
Long-term liabilities	437,628,727	423,953,977
Other liabilities	49,183,445	42,658,491
Total Liabilities	486,812,172	466,612,468
Net Assets:		
Invested in capital assets, net of related debt	773,322,172	714,396,078
Restricted	4,477,906	4,168,945
Unrestricted	(60,075,765)	(2,719,935)
Total Net Assets	\$ 717,724,313	\$ 715,845,088

A portion of the County's net assets, \$4.5 million, represents resources that are subject to external restrictions on how they may be used. The deficit balance for unrestricted net assets of \$60.1 million was primarily due to the expense of current assets to purchase and construct capital assets.

The County's assets exceeded its liabilities by \$717.7 million, resulting in an increase of \$1.9 million from the prior year. This increase is primarily due to the following: decrease in cash of \$64.1 million due to expense of bond funds for facilities and road projects; increase in capital assets of \$86.1 million due to construction of new facilities and construction and contribution of new roads; increase in long term liabilities of \$13.6 million due to an increase of \$26.6 million for other post-employment benefits (OPEB) offset by a decrease of \$13 million in outstanding long-term debt; and an increase in other liabilities of \$6.5 million due to an increase in accounts payables for construction projects.

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

SCHEDULE OF CHANGES IN NET ASSETS
For the years ended September 30, 2011 and 2010

	Primary Government Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for services	\$ 37,241,289	\$ 35,156,664
Operating grants and contributions	35,820,119	23,313,282
Capital grants and contributions	25,214,312	30,358,341
General revenues:		
Property taxes	196,820,339	198,888,176
Earnings on investments	2,925,202	3,870,155
Other	6,065,510	4,237,069
Total Revenues	304,086,771	295,823,687
Expenses		
General administration	47,061,517	43,485,772
Financial administration	8,648,273	8,059,389
Administration of justice	86,081,856	78,173,873
Construction and maintenance	46,150,023	46,946,163
Health and welfare	25,283,662	23,718,848
Cooperative services	1,177,426	1,123,951
Public safety	55,190,407	55,269,509
Parks and recreation	2,915,986	2,263,280
Libraries and education	14,810,488	13,468,700
Interest on long-term debt	14,887,908	15,494,994
Total Expenses	302,207,546	288,004,479
Change in Net Assets	1,879,225	7,819,208
Net Assets, Beginning	715,845,088	708,025,880
Net Assets, Ending	\$ 717,724,313	\$ 715,845,088

At the end of the current fiscal year, the County was able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

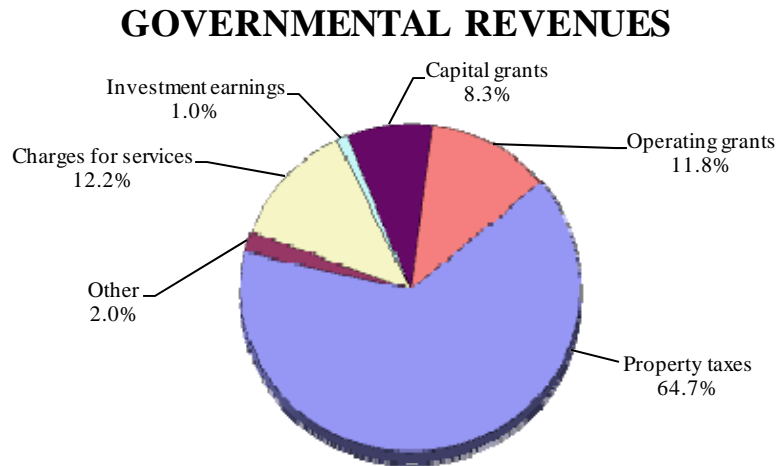
Governmental activities increased the County's net assets by \$1.9 million. This increase is down from last year's increase of \$7.8 million. The key elements of the lower increase in net assets are as follows:

- Increase in charges for services of \$2.1 million primarily due to increased collections of fines, fees, and court costs.
- Decrease in earnings on investments of \$0.9 million due to lower cash balances caused by expenditure of bond funds.
- Increase in other revenue of \$1.8 million due to increase in forfeited assets of \$246 thousand by order of the courts, increase in miscellaneous revenue of \$245 thousand due to a settlement agreement of \$225 thousand and a cost sharing agreement of \$25 thousand, increase in fuel reimbursement of \$307 thousand due to an increase in fuel costs, increase in miscellaneous reimbursements of \$375 thousand for payments received from local cities for road repairs, and an increase in miscellaneous reimbursements of \$100 thousand for payment from Houston Galveston Area Council of Governments for purchase of equipment.

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Decrease from the prior year for capital grants and contributions of \$5.1 million resulting from a decrease in right of way reimbursements from the State of Texas for ongoing mobility projects.
- Increase in operating grants and contributions of \$12.5 million primarily due to increase of funds received from the Texas Commission on Environmental Quality of \$1.4 million, increase in local revenue of \$1.2 million for participation in Upper Oyster Creek Project, increase in federal funding of \$1.3 million of energy efficiency grant, increase in federal funding of \$4.3 million for Urban Area Security Initiative grants, increase in federal funding of \$2.8 million for transportation grants, and an increase in federal funding of \$1.3 million for Community Development Block Grants.
- Expenses increased in several governmental functions: Administration of justice expenses increased by \$7.9 million primarily due to an increase in health benefits cost of \$6.1 million caused by rising healthcare costs, and depreciation expense of \$1.6 million due to the opening of the new justice center; Libraries and education expenses increased by \$1.3 million due to the opening of a new library branch; Health and welfare expenses increased by \$1.6 million primarily due to an increase in health benefits cost of \$520 thousand caused by rising healthcare costs, and public assistance payments of \$1.1 million for Community Development Block Grant allotments; General administration expenses increased by \$3.6 million primarily due to an increase in health benefits cost of \$1.2 million caused by rising healthcare costs, increase in depreciation expense of \$1.7 million due to prior period adjustment relating to capital assets, and increased fuel costs of \$881 thousand due to rising fuel prices.

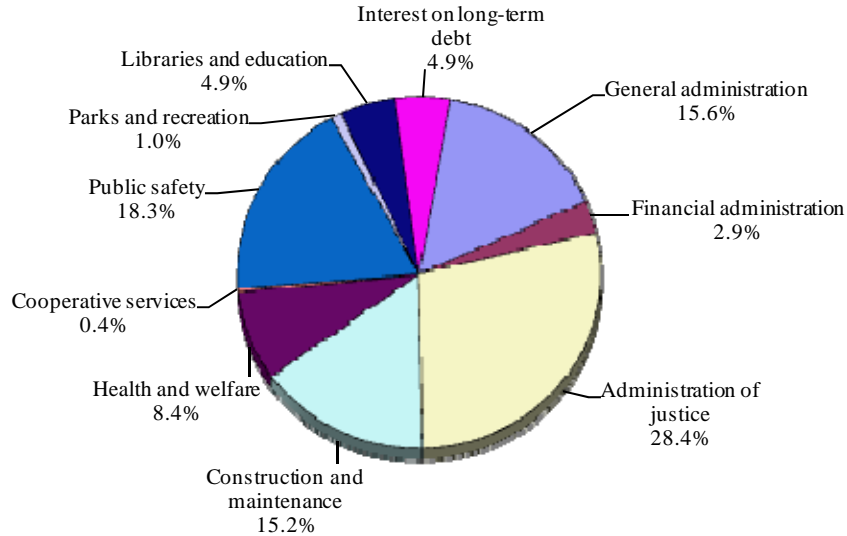
Governmental revenues for fiscal year 2011 are graphically displayed as follows:



FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental functional expenses were as follows:

GOVERNMENTAL FUNCTIONAL EXPENSES



Financial Analysis of the County's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The County's governmental funds reflect a combined fund balance of \$79.4 million. Of this, \$10.8 million is unassigned fund balance and available for day-to-day operations within General Fund. There is a deficit unassigned fund balance of \$4.4 million in the 2009 Mobility capital projects fund due to an advance from General Fund to enable this capital project fund to proceed until the issuance of the next mobility bond issue, which is expected in April 2012. \$33.1 million is committed fund balance for capital projects within General Fund. \$39.7 million is restricted fund balance for debt service and the non-major governmental funds in the amount of \$5.2 million and \$34.5 million respectively. \$205.4 thousand is designated as nonspendable fund balance for General Fund and the non-major governmental funds in the amount of \$136.0 thousand and \$69.4 thousand respectively for prepaid items.

There was a decrease in the combined fund balance of \$68.4 million from the prior year for the governmental funds. This overall decrease was primarily due to net expenditures and transfers out in capital project funds as follows: Mobility 2009 Projects of \$24.8 million; 2007 Facilities Bonds of \$14.7 million; Justice Center Project of \$19.0 million; and 2001-2007 Mobility Projects of \$9.0 million. Debt Service fund balance increased by \$0.3 million due to the refunding of the 2001 Flood Control Water Supply Corporation bonds bringing ending fund balance to \$5.2 million. General Fund Balance increased by \$0.7 million which is down from the previous year's increase of \$8.8 million. This reduction in fund balance increase of \$8.1 million is primarily due to the following factors:

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Decrease in General Fund property tax allocation of \$3.5 million due to a shift of a *portion* of the 2011 operating and maintenance tax rate to the interest and sinking tax rate to accommodate the increase in debt service.
- Increase in fees of office collections of \$2.0 million due to increase in services from all the governmental functions.
- Increase in federal funds of \$9.2 million primarily due to increase in federal funding of \$1.3 million for energy efficiency grant, increase in federal funding of \$4.3 million for Urban Area Security Initiative grants, and an increase in federal funding of \$2.8 million for transportation grants.
- Decrease in state funds of \$3.7 million primarily due to a decrease in right of way reimbursements from the State of Texas for ongoing mobility projects.
- Increase in payroll costs of \$1.8 million primarily due to staffing of new library branch and new jail facility.
- Increase in healthcare costs of \$5.9 million due to rising healthcare costs.
- Increase in contract fees of \$1.6 million primarily for energy efficiency grant for County facilities.
- Decrease in supply costs of \$0.9 million primarily due to the required costs to outfit the new library in fiscal year 2010.
- Increase in janitorial maintenance costs of \$0.7 million due to increased facilities to maintain.
- Increase in utility costs of \$0.5 million due to expansion of County facilities.
- Increase in fuel costs of \$0.9 million due to rising fuel prices.
- Increase in capital acquisitions of \$4.6 million primarily for equipment purchased under the Urban Area Security Initiative grant and various transportation grants.
- Decrease in construction in progress of \$2.8 million primarily due to facilities projects funded within the General Fund in fiscal year 2010.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Employee Benefits Fund had a net assets balance at fiscal year-end of \$0.6 million, which is a \$1.6 million decrease from the prior year. This decrease was primarily caused by increased healthcare costs in fiscal year 2011. The Other Self-Funded Insurance Fund has a deficit net assets balance of \$2.5 million at fiscal year-end which is the same as the previous year. The allocation for the Other Self-Funded Insurance Fund will continue to be increased by 33% annually over the next three fiscal years to eliminate this deficit net assets balance.

General Fund Budgetary Highlights

During the year there was a net decrease of \$7.0 million in expenditure appropriations between the original and final amended budget. The main components of this were based on the following: \$2.2 million budgeted for capital projects; \$1.2 million from surplus indigent healthcare funds; \$2.0 million from surplus non-departmental funds; \$1.8 million from public transportation for local match of transportation grants transferred to multi-year grant budgets. The surplus amounts from indigent healthcare and non-departmental were transferred to multi-year capital projects with budgets that extend beyond the County's fiscal year.

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund revenues exceeded the amended budget by \$3.6 million for the year. The reasons for this surplus are detailed as follows:

- Property taxes resulted in revenues of \$0.3 million excess over budget due to underestimation of the collection rate.
- Fees and fines resulted in \$1.7 million in excess revenues due to continued increased collections of fines, fees and court costs.
- Intergovernmental revenue resulted in \$0.5 million in excess revenues primarily due to increased federal funding for transportation and energy efficiency offset by a decrease in state reimbursements for right of way acquisitions.
- Earnings on investments decreased by \$0.1 million due to reduced cash balance for General Fund caused by expenditure of multi-year project budgets for facilities.
- Miscellaneous revenue resulted in \$1.3 million in excess revenues primarily due to increased fuel reimbursements from outside entities due to higher fuel prices, a settlement agreement contract, and cost sharing agreements with local municipalities.

General Fund expenditures fell short of the amended budget by \$1.1 million for the year primarily due to turnover within each of the departments. There were minor budgetary shortfalls within budget categories of some departments. These minor shortfalls were not covered by budget transfers at the end of the year due to materiality and that the overall departmental expenditure budget had a surplus. The individual governmental function's budgetary performance is detailed as follows:

- General administration expenditures had minor budget shortfalls within individual budget categories for Commissioner Precinct 1, Commissioner Precinct 2, and Purchasing that were funded by other budget categories within those departments. Non-departmental had a budget shortfall of \$321 thousand in operating costs due to a correction for appellate fees that were improperly posted as a negative expenditure. This was corrected by the end of the year; however it allowed an over-expenditure of the amended budget. This did not cause an overall budget deficit for General administration, however, procedures have been put in place to prevent this in the future.
- Financial administration expenditures had minor budget shortfalls within individual budget categories for County Auditor that were funded by another budget category within that department.
- Administration of justice had minor budget shortfalls within individual budget categories for Courts Administration and Indigent Defense Program that were funded by other budget categories within those departments.
- Health and welfare had a budget shortfall of \$120 thousand in Social Services under the operating costs budget category due to a negative encumbrance that allowed expenditures to exceed actual available funding. This did not cause an overall budget deficit for Health and welfare, however, procedures have been put in place to prevent this in the future.
- Public safety had minor budget shortfalls within individual budget categories for Constable Precinct 2 and Constable Precinct 3 that were funded by other budget categories within those departments.

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2011, the County's governmental activities had invested \$1,064.0 million in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately \$86.2 million over the previous fiscal year.

	Governmental Activities	
	2011	2010
Non-Depreciable Capital Assets		
Land	\$ 333,434,751	\$ 318,334,776
Construction-in-progress	120,250,614	152,903,502
Other Capital Assets, Net		
Vehicles	11,780,089	8,791,182
Office furniture and equipment	11,259,478	10,768,112
Machinery and equipment	12,080,859	11,292,998
Buildings, facilities and improvements	251,258,481	171,658,164
Infrastructure	323,971,538	304,135,617
Totals	\$ 1,064,035,810	\$ 977,884,351

Construction-in-progress at year-end represents numerous ongoing projects, the largest of which are: 2000 Mobility Bond projects for \$38.5 million; 2007 Mobility Bond projects for \$47.8 million; Big Creek project for \$2.1 million; Big Creek Flood Control Water Supply Corporation project for \$12.0 million; and Upper Oyster Creek project for \$7.6 million.

Long-Term Debt - At the end of the current fiscal year, the County had total bonds outstanding of \$318.3 million. This is a decrease of \$13.1 million from the prior year due to scheduled debt service payments made during fiscal year 2011. OPEB liability increased by \$26.6 million based on the actuarial valuation dated September 30, 2011 to a total balance of \$101.8 million.

	Governmental Activities	
	2011	2010
General obligation bonds	\$ 318,265,000	\$ 331,410,000
Premiums on bonds	12,043,251	12,038,573
Accrued compensated absences	5,560,434	5,392,775
Other post-employment benefits (OPEB) obligation	101,760,042	75,112,628
Total	\$ 437,628,727	\$ 423,953,976

The County received an insured rating of Aaa from Moody's and Standard and Poors on issuances prior to 2009. The three issuances in 2009 were not insured and therefore retained the uninsured ratings. The uninsured ratings were as follows:

Moody Investor Service Aa2
Standard and Poor's AA+

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fort Bend County Housing Finance Corporation ("FBCHFC"), a component unit of the County, issues conduit debt in the form of tax-exempt bonds for the purpose of providing below-market interest rate financing to qualified homebuyers and developers of affordable rental housing, and sponsorship or the federal low-income housing tax credit program. The tax-exempt bonds issued by FBCHFC do not constitute a debt or pledge of faith by FBCHFC, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2011, approximately \$11.0 million of total bonds were outstanding.

The Fort Bend County Industrial Development Corporation ("FBCIDC"), a component unit of the County, issues conduit debt in the form of bonds to finance all or part of the cost of one or more projects as defined in the Development Corporation Act of 1979, Article 5190.6, Vernon's Annotated Texas Civil Statutes, as amended. The bonds issued by the Corporation do not constitute a debt or pledge of faith by FBCIDC, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2011, approximately \$13.8 million of total bonds were outstanding.

Additional information on capital assets and long-term debt is available in Notes 6 and 7 respectively.

Economic Factors and Next Year's Budgets and Rates

The County continues to enjoy growth in various demographic areas during this ongoing economic slowdown.

The population of the County is estimated at 606,786 in 2011 and is expected to grow by 4.44% annually through 2015. Total employment is estimated at 235,961 in 2011 and is expected to grow by 3.37% annually over the same period.

The number of households has increased to 195,264 in 2011 and is expected to grow to 230,330 by 2015. Mean household income for 2011 is \$129,337 and is estimated to rise to \$146,579 by 2015. Income per capita is currently at \$41,986 and is expected to grow to \$48,116 by 2015. Retail sales increased by 7.8% to \$6.19 billion in 2011 and are expected to grow to \$7.37 billion by 2015.

The Commissioners Court approved a \$252.1 million total budget for the 2012 fiscal year. This is a 5.2% increase over the adopted 2011 fiscal year budget. The increase in the budget is due to increased debt service along with increases in operating expenditures for a new branch library and new facilities now in service. The overall tax rate remained constant from 2011 to 2012 at \$0.49976 per \$100 of assessed valuation.

Requests for Information

This financial report is designed to provide a general overview of Fort Bend County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to Ed Sturdivant, County Auditor, 301 Jackson, Suite 533, Richmond, TX 77469, telephone (281) 341-3760.



BASIC FINANCIAL STATEMENTS



FORT BEND COUNTY, TEXAS**STATEMENT OF NET ASSETS**

September 30, 2011

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
Assets		
Cash and cash equivalents	\$ 103,640,117	\$ 32,466,202
Receivables:		
Taxes, net	7,547,814	
Grants	7,493,205	
Fees and fines	4,319,143	365
Accrued interest	7,557	26,288
Other	3,689,173	2,847,331
Prepaid items	205,387	124
Deferred issuance costs	3,311,493	738,947
Due from Fort Bend Grand Parkway Toll Road Authority		2,000,000
Due from component units	10,286,786	
Due from primary government		1,286,978
Capital assets, not being depreciated	453,685,365	11,561,227
Capital assets, net of accumulated depreciation	610,350,445	145,748,541
Total Assets	<u>1,204,536,485</u>	<u>196,676,003</u>
Liabilities		
Accounts payable and accrued expenses	37,773,482	3,900
Retainage payable	4,076,700	204,202
Accrued interest payable	1,224,897	590,800
Unearned revenues	3,556,645	
Due to component units	1,286,978	
Due to primary government		10,286,786
Due to Fort Bend County Toll Road Authority		2,000,000
Due to other governments	1,264,743	
Long-term liabilities due within one-year	14,690,109	1,645,000
Long-term liabilities due in more than one-year	422,938,618	135,847,059
Total Liabilities	<u>486,812,172</u>	<u>150,577,747</u>
Net Assets		
Invested in capital assets, net of related debt	773,322,172	19,817,709
Restricted for:		
Debt service	4,477,906	
Unrestricted	(60,075,765)	26,280,547
Total Net Assets	<u>\$ 717,724,313</u>	<u>\$ 46,098,256</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General administration	\$ 47,061,517	\$ 7,520,478	\$ 11,285,351	\$
Financial administration	8,648,273	3,988,371		
Administration of justice	86,081,856	7,222,932	7,719,264	
Construction and maintenance	46,150,023	6,679,429	1,381,572	25,214,312
Health and welfare	25,283,662	5,930,364	6,479,035	
Cooperative services	1,177,426			
Public safety	55,190,407	5,621,993	8,623,225	
Park and recreation	2,915,986	141,893	157,468	
Libraries and education	14,810,488	246,699	174,204	
Interest on long-term debt	14,887,908			
Total Primary Government	\$ 302,207,546	\$ 37,352,159	\$ 35,820,119	\$ 25,214,312
Component Units:				
FBC Surface Water Supply Corporation	\$	\$	\$	\$
FBC Toll Road Authority	14,975,150	17,694,231		518,338
FB Grand Parkway Toll Road Authority	3,745,092			
FBC Housing Finance Corporation	11,060	141,870		
FBC Industrial Development Corporation	2,856	23,000		
Total Component Units	\$ 18,734,158	\$ 17,859,101	\$	\$ 518,338

General Revenues:

Property taxes, penalties, and interest

Earnings on investments

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Primary Government</u>	<u>Component Units</u>
<u>Governmental Activities</u>	
\$ (28,255,688)	\$
(4,659,902)	
(71,139,660)	
(12,874,710)	
(12,874,263)	
(1,177,426)	
(40,945,189)	
(2,616,625)	
(14,389,585)	
(14,887,908)	
<u>(203,820,956)</u>	
	3,237,419
	(3,745,092)
	130,810
	20,144
	<u>(356,719)</u>
196,820,339	
2,925,202	358,798
5,954,640	54,573
<u>205,700,181</u>	<u>413,371</u>
1,879,225	56,652
715,845,088	46,041,604
<u>\$ 717,724,313</u>	<u>\$ 46,098,256</u>

FORT BEND COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 44,762,938	\$ 5,165,917	\$ 48,294,533	\$ 98,223,388
Taxes receivable, net	5,918,057	521,045	1,108,712	7,547,814
Grants receivable	6,474,269		1,018,936	7,493,205
Fines and fees receivable	4,319,143			4,319,143
Accrued interest receivable	7,557			7,557
Other receivables	2,251,733	15,841	1,401,111	3,668,685
Due from other funds	15,317,511		9,512,732	24,830,243
Due from component units	10,286,786			10,286,786
Prepaid items	136,007		69,379	205,386
Total Assets	<u>\$ 89,474,001</u>	<u>\$ 5,702,803</u>	<u>\$ 61,405,403</u>	<u>\$ 156,582,207</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,067,578	\$	\$	\$ 26,067,578
Accrued payroll	3,965,469			3,965,469
Retainage payable	61,506		4,006,314	4,067,820
Due to other funds	2,198,840		22,914,538	25,113,378
Due to component units	1,286,978			1,286,978
Due to other governments	1,242,379		22,364	1,264,743
Deferred revenue	10,592,270	521,045	4,310,287	15,423,602
Total Liabilities	<u>45,415,020</u>	<u>521,045</u>	<u>31,253,503</u>	<u>77,189,568</u>
Fund Balances:				
Nonspendable	136,007		69,379	205,386
Restricted		5,181,758	34,501,665	39,683,423
Committed	33,106,759			33,106,759
Unassigned	10,816,215		(4,419,144)	6,397,071
Total Fund Balances	<u>44,058,981</u>	<u>5,181,758</u>	<u>30,151,900</u>	<u>79,392,639</u>
Total Liabilities and Fund Balances	<u>\$ 89,474,001</u>	<u>\$ 5,702,803</u>	<u>\$ 61,405,403</u>	<u>\$ 156,582,207</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
September 30, 2011

Total fund balances, governmental funds	\$ 79,392,639
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	1,063,947,000
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred in the funds.	11,866,957
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(1,940,152)
Some liabilities (such as long-term claims and judgments payable, long-term compensated absences, and bonds payable) are not due and payable in the current period and are not included in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	
Bonds payable	(318,265,000)
Deferred issuance costs	3,311,493
Compensated absences	(5,560,434)
Other post-employment benefits (OPEB) obligation	(101,760,042)
Premiums on issuance of debt	(12,043,251)
Accrued interest is not due and payable in the current period and therefore not reported in the funds.	<u>(1,224,897)</u>
Net Assets of Governmental Activities	<u><u>\$ 717,724,313</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 150,611,129	\$ 28,251,456	\$ 18,544,313	\$ 197,406,898
Fees and fines	26,538,216	76,613	10,867,165	37,481,994
Intergovernmental	23,894,468		13,077,519	36,971,987
Earnings on investments	1,457,487	141,647	1,198,905	2,798,039
Miscellaneous	3,372,764		3,151,627	6,524,391
Total Revenues	<u>205,874,064</u>	<u>28,469,716</u>	<u>46,839,529</u>	<u>281,183,309</u>
Expenditures				
Current:				
General administration	41,583,032		769,305	42,352,337
Financial administration	7,158,932		17,254	7,176,186
Administration of justice	54,210,526		17,628,820	71,839,346
Construction and maintenance	2,843,242		26,699,183	29,542,425
Health and welfare	17,345,040		4,722,704	22,067,744
Cooperative services	986,392			986,392
Public safety	42,751,912		1,404,590	44,156,502
Parks and recreation	2,263,590			2,263,590
Libraries and education	12,113,853		62,784	12,176,637
Capital Outlay	20,234,349		68,693,447	88,927,796
Debt Service:				
Principal		12,590,000		12,590,000
Interest and fiscal charges		15,528,257		15,528,257
Bond issuance costs		249,266		249,266
Total Expenditures	<u>201,490,868</u>	<u>28,367,523</u>	<u>119,998,087</u>	<u>349,856,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,383,196</u>	<u>102,193</u>	<u>(73,158,558)</u>	<u>(68,673,169)</u>
Other Financing Sources (Uses)				
Transfers in	5,260,901		9,141,885	14,402,786
Transfers (out)	(8,965,489)		(5,437,297)	(14,402,786)
Refunding bonds issued		9,675,000		9,675,000
Payment to refunded bond escrow agent		(10,230,000)		(10,230,000)
Premium on refunding bonds issued		784,853		784,853
Total Other Financing Sources (Uses)	<u>(3,704,588)</u>	<u>229,853</u>	<u>3,704,588</u>	<u>229,853</u>
Net change in fund balances	678,608	332,046	(69,453,970)	(68,443,316)
Fund Balances, Beginning of Year	<u>43,380,373</u>	<u>4,849,712</u>	<u>99,605,870</u>	<u>147,835,955</u>
Fund Balances, End of Year	<u>\$ 44,058,981</u>	<u>\$ 5,181,758</u>	<u>\$ 30,151,900</u>	<u>\$ 79,392,639</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCES (GOVERNMENTAL FUNDS) TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Net change in fund balances - total governmental funds	\$ (68,443,316)
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year capital outlay (\$88.9 million) exceeded depreciation expense (\$26.2 million) in the current period.	62,699,787
Capital contributions of infrastructure are reported in the governmental-wide financial statements but not in the fund financial statements.	23,717,658
Governmental funds report the entire net sales prices (proceeds) from the sales of capital assets as revenue because they provide current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the capital assets. Thus, the change in net assets differs from the change in fund balance by the costs of capital assets sold.	(354,795)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(10,210,587)
The long-term portion of accrued compensated absences is not due and payable in the current period and is therefore not reported in governmental funds.	(167,658)
Changes in the other post-employment benefits (OPEB) obligation are not due and payable in the current period, and therefore are not reported in the governmental funds.	(26,647,414)
Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in receivables on the accrual basis of accounting.	(586,559)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting.	63,535
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	576,813
Principal payments on bonds are reported as expenditures in governmental funds but not as expenses in the government-wide statements.	22,820,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenues (expenses) are reported with governmental activities.	(1,588,239)
Change in net assets of governmental activities	<u>\$ 1,879,225</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS**STATEMENT OF NET ASSETS****PROPRIETARY FUNDS***September 30, 2011*

	Governmental Activities
	Internal Service Funds
Assets	
Current Assets:	
Cash and cash equivalents	\$ 5,416,728
Due from other funds	283,237
Other receivables	20,490
Total Current Assets	<u>5,720,455</u>
Noncurrent Assets:	
Capital Assets:	
Construction-in-progress	88,810
Total Capital Assets	<u>88,810</u>
Total Noncurrent Assets	<u>88,810</u>
Total Assets	<u><u>5,809,265</u></u>
Liabilities	
Current Liabilities:	
Benefits payable	7,740,434
Retainage payable	8,881
Due to other funds	102
Total Current Liabilities	<u>7,749,417</u>
Total Liabilities	<u><u>7,749,417</u></u>
Net Assets (Deficit)	
Invested in capital assets, net of related debt	88,810
Unrestricted	<u>(2,028,962)</u>
Total Net Assets (Deficit)	<u><u>\$ (1,940,152)</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Governmental Activities
	Internal Service Funds
Operating Revenues	
Charges for services	\$ 30,686,672
Total Operating Revenues	<u>30,686,672</u>
Operating Expenses	
Current operations - general administration	411,575
Benefits provided	31,990,499
Total Operating Expenses	<u>32,402,074</u>
Operating (Loss)	(1,715,402)
Non-Operating Revenues	
Earnings on investments	127,163
Total Non-Operating Revenues	<u>127,163</u>
Change in Net Assets	(1,588,239)
Total Net Assets (Deficit), Beginning of Year	<u>(351,913)</u>
Total Net Assets (Deficit), End of Year	<u>\$ (1,940,152)</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***For the Year Ended September 30, 2011*

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities	
Charges for services	\$ 32,151,762
Payment of benefits	(31,400,379)
Payment of general administration expenses	(411,575)
Net Cash Provided by Operating Activities	<u>339,808</u>
Cash Flows from Investing Activities	
Interest earned on investments	127,163
Net Cash Provided by Investing Activities	<u>127,163</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(79,929)
Net Cash (Used) by Capital and Related Financing Activities	<u>(79,929)</u>
Net Increase in Cash and Cash Equivalents	387,042
Cash and Cash Equivalents, Beginning of Year	<u>5,029,686</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,416,728</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (Loss)	\$ (1,715,402)
Change in assets and liabilities:	
(Increase) in other receivables	(19,965)
Decrease in due from other funds	1,593,183
(Decrease) in due to other funds	(108,128)
Increase in benefits payable	590,120
Total adjustments	<u>2,055,210</u>
Net Cash Provided by Operating Activities	<u>\$ 339,808</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 29,051,344
Miscellaneous receivables	<u>311,599</u>
Total Assets	<u><u>\$ 29,362,943</u></u>
Liabilities	
Due to other governments	<u>\$ 29,362,943</u>
Total Liabilities	<u><u>\$ 29,362,943</u></u>

The accompanying notes are an integral part of these financial statements.



FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS

COMPONENT UNITS

September 30, 2011

	Fort Bend County Surface Water Supply Corporation	Fort Bend County Toll Road Authority	Fort Bend Grand Parkway Toll Road Authority	Fort Bend County Housing Finance Corporation	Fort Bend County Industrial Development Corporation	Totals
Assets						
Cash and cash equivalents	\$ 7,614	\$ 31,734,552	\$ 72	\$ 700,944	\$ 23,020	\$32,466,202
Accounts receivable				365		365
Due from Fort Bend Grand Parkway Toll Road Authority		2,000,000				2,000,000
Due from primary government		1,286,978				1,286,978
Accrued interest receivable		25,125		1,163		26,288
Miscellaneous receivables		2,847,331				2,847,331
Deferred bond issuance costs		738,947				738,947
Prepaid items					124	124
Capital assets, not being depreciated		2,782,650	8,778,577			11,561,227
Capital assets, net of accumulated depreciation		145,748,541				145,748,541
Total Assets	7,614	187,164,124	8,778,649	702,472	23,144	196,676,003
Liabilities and Net Assets						
Liabilities						
Accounts payable				3,900		3,900
Retainage payable			204,202			204,202
Due to Fort Bend County Toll Road Authority			2,000,000			2,000,000
Due to primary government			10,286,786			10,286,786
Accrued interest payable		558,119	32,681			590,800
Long-term liabilities						
Due within one year		1,645,000				1,645,000
Due in more than one year		135,847,059				135,847,059
Total Liabilities		138,050,178	12,523,669	3,900		150,577,747
Net Assets						
Invested in capital assets, net of related debt		11,039,132	8,778,577			19,817,709
Unrestricted	7,614	38,074,814	(12,523,597)	698,572	23,144	26,280,547
Total Net Assets	\$ 7,614	\$ 49,113,946	\$ (3,745,020)	\$ 698,572	\$ 23,144	\$46,098,256

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF ACTIVITIES

COMPONENT UNITS

For the Year Ended September 30, 2011

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Fort Bend County Surface Water Supply Corporation			
Health and welfare	\$	\$	\$
Total Fort Bend County Surface Water Supply Corporation			
Fort Bend County Toll Road Authority			
Toll road operations	8,356,153	17,694,231	518,338
Interest on long-term debt	6,618,997		
Total Fort Bend County Toll Road Authority	14,975,150	17,694,231	518,338
Fort Bend Grand Parkway Toll Road Authority			
Toll road operations	3,712,411		
Operating interest	32,681		
Total Fort Bend Grand Parkway Toll Road Authority	3,745,092		
Fort Bend County Housing Finance Corporation			
Programs	345		
General administration	10,715	141,870	
Total Fort Bend County Housing Finance Corporation	11,060	141,870	
Fort Bend County Industrial Development Corporation			
General administration	2,856	23,000	
Total Fort Bend County Industrial Development Corporation	2,856	23,000	
Total Component Units	\$18,734,158	\$17,859,101	\$ 518,338

General Revenues:

- Earnings on investments
- Miscellaneous

Total General Revenues

- Changes in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Fort Bend County Surface Water Supply Corporation	Fort Bend County Toll Road Authority	Fort Bend Grand Parkway Toll Road Authority	Fort Bend County Housing Finance Corporation	Fort Bend County Industrial Development Corporation	Totals
\$	\$	\$	\$	\$	\$
	9,856,416				9,856,416
	(6,618,997)				(6,618,997)
	3,237,419				3,237,419
		(3,712,411)			(3,712,411)
		(32,681)			(32,681)
		(3,745,092)			(3,745,092)
			(345)		(345)
			131,155		131,155
			130,810		130,810
				20,144	20,144
				20,144	20,144
	3,237,419	(3,745,092)	130,810	20,144	(356,719)
75	354,629		4,094		358,798
	54,501	72			54,573
75	409,130	72	4,094		413,371
75	3,646,549	(3,745,020)	134,904	20,144	56,652
7,539	45,467,397		563,668	3,000	46,041,604
\$ 7,614	\$ 49,113,946	\$ (3,745,020)	\$ 698,572	\$ 23,144	\$ 46,098,256

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

Fort Bend County, Texas (the "County") is a public corporation and a political subdivision of the State of Texas. The Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials, govern the County.

The County is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the County's financial reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data of these units are combined with data of the County. Each of the County's blended component units has a September 30 year-end. The following component units have been identified and are presented in a blended format in the government-wide financial statements:

Fort Bend County Drainage District ("District")

Established under Section 59 of Article XVI of the Constitution of Texas, the District includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands. Commissioners Court acts as the governing body of the District. Complete financial statements for the District can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Flood Control Water Supply Corporation ("FBFCWSC")

The FBFCWSC is a non-profit corporation organized for the benefit of the County to provide for the acquisition, construction and financing of flood control and drainage projects for the County. Upon completion, these projects are maintained by the County. Commissioners Court appoints the Board of Directors and approves all budgets and expenditures. Complete financial statements for the Corporation can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units

Discretely presented component units are presented in a separate column in the government-wide statements to emphasize that they are legally separate from the County. Each of the County's discretely presented component units has a September 30 year-end. The following component units have been identified and are presented in a discrete format in the County's financial statements:

Fort Bend County Toll Road Authority

The Fort Bend County Toll Road Authority is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend Toll Road system that will extend from Sam Houston Parkway in Harris County to the Brazos River and the City of Fulshear in Fort Bend County. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Grand Parkway Toll Road Authority

The Fort Bend Grand Parkway Toll Road Authority is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend Grand Parkway Toll Road that will extend from the Westpark Tollway along State Highway 99 to US 59. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend County Surface Water Supply Corporation

The Fort Bend County Surface Water Supply Corporation was established for the purpose of conducting a feasibility study of a surface water facility in the area. Currently, revenue sources are primarily from special districts, private corporations, and other entities interested in the study. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend County Housing Finance Corporation

The Fort Bend County Housing Finance Corporation was established under the Texas Housing Finance Corporation Act. The Corporation provides down payment assistance programs for individuals meeting certain income guidelines and serves as a conduit for activity related to bond issues for affordable housing in Fort Bend County. The tax-exempt bonds issued by the Corporation do not constitute a debt or a pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreements underlying each issue. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Complete financial statements for The Fort Bend Housing Finance Corporation are prepared and can be obtained at the East Fort Bend County Annex Building located at 3030 Texas Parkway, Suite 213, Missouri City, Texas.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units (continued)

Fort Bend County Industrial Development Corporation

The Fort Bend County Industrial Development Corporation was established under the Development Corporation Act of 1979 (Act). The Corporation facilitates the issuance of obligations in the form of bonds to finance all or part of the cost of one or more projects as defined by the Act. The bonds issued by the Corporation do not constitute a debt or a pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreements underlying each issue. The County has accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office.

B. Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the GASB 34 reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements). Typically, both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. All primary activities of the County are considered to be governmental type activities; therefore no business type activities are presented within the basic financial statements. In the government-wide Statement of Net Assets, governmental activities are presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general administration, financial administration, public safety, etc.), which are otherwise being supported by general government revenues (property taxes, earnings on investments, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function (general administration, financial administration, public safety, etc.).

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Since the County only reports agency funds, a statement of changes in fiduciary net assets is not presented. All assets reported in agency funds should be offset by a corresponding liability, resulting in zero net assets.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Accounting (continued)

In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

The County reports the following major governmental funds:

General Fund

The General Fund is the County's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is local property taxes. Expenditures include all costs associated with the daily operations of the County.

Debt Service Fund

This fund is used to account for the debt service transactions relating to the following bond issues: Permanent Improvements Refunding Bonds Series 2003, Unlimited Tax Road Bonds Series 2006, Unlimited Tax Road Bonds Series 2007, Fort Bend Flood Control Water Supply Corporation (FBFCWSC) Refunding Bonds Series 2010, Limited Tax Facilities Bonds Series 2007, Unlimited Tax Road Bonds Series 2009, Justice Center Limited Tax Bonds Series 2009, and Unlimited Tax Road Refunding Series 2009. Revenues in this fund are comprised of property taxes levied against property located in the County.

The County also reports the following funds types:

Internal Service Funds

These funds are used to account for the County's employee benefits for employees, retirees, and their dependents, including medical and dental; and self-insurance programs, including workers' compensation, personal injury and property damage. The principal source of revenue is contributions paid by individual funds.

Agency Funds

These funds are custodial in nature and do not report operating results. They are used to account for assets held by the County as an agent for various local governments and individuals.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund-types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds) and certain Component Units are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as expenditures when due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is that interfund services provided and used within the County are not eliminated in the process of consolidation. Elimination of these services would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Revenues that are generated internally are reported as general revenues, including property taxes.

Proprietary funds present both operating revenues and expenses as well as non-operating revenues and expenses. Operating revenues and expenses are generally derived from providing services and producing goods as part of ongoing operations. The principal operating revenues of the County's internal service funds are charges to users for services. The operating expenses for the County's internal service funds include administrative expenses and all costs associated with providing services. All other revenue and expenses are reported as non-operating revenue.

The accrual basis of accounting is used for the proprietary fund types and certain component units. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net assets, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary control. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities of the current year and are re-appropriated in the budget of the subsequent year. Unencumbered appropriations lapse at the end of the year.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

F. Investments

The County's investments, when held, are comprised primarily of U.S. Government Securities. Obligations with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost, which approximates fair value. All other investments are reported at fair value. The investments in U.S. Government Securities are generally held to maturity.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Due To and Due From Other Funds

During the course of operations, transactions occur between individual funds for specified purposes, such as lending/borrowing arrangements or amounts. In addition, the County maintains numerous bank accounts among all the funds and occasionally monies are deposited into the incorrect account. Therefore, a receivable and payable are recorded in the proper funds. These receivables and payables are classified as "due from other funds" or "due to other funds" (or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit).

I. Interfund Transfers

The County maintains numerous special revenue and capital project funds to account separately for monies that have been set aside for particular purposes. Often, these monies are initially budgeted in the General Fund during the annual budget process and are then transferred to various funds during the course of the fiscal year. In addition, when these projects are complete, these same funds often transfer residual monies back to the General Fund or some other fund, as determined by where the monies should be returned. These interfund transfers are classified as "transfers in" and "transfers out" within the primary government.

J. Interest Receivable

Interest on investments is recorded as revenue in the year the interest is earned and available to pay liabilities of the current period.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

K. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold (currently \$5,000 on new assets) is met. All betterments to existing assets are capitalized, without any threshold. Depreciation is recorded on capital assets on a government-wide basis. Major outlays for capital assets and improvements are capitalized as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at the government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

The County applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has been provided for plant and equipment using the straight-line method over the estimated useful life for the type of assets as follows:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings, facilities and improvements	10 to 39 years
Infrastructure	20 to 40 years

L. Accrued Compensated Absences

All full-time employees accumulate vacation benefits in varying annual number of days up to a maximum of twenty days a year. Accumulated vacation exceeding twenty days lapses on December 31 of each year.

Compensatory time exceeding 80 hours is paid to nonexempt employees. In the event of termination, an employee is paid for all maximum allowable accumulation of vacation and compensatory time.

Sick leave benefits are earned by all full-time employees at a rate of eight days per year and may be accumulated without limit. Upon retirement, an employee may be eligible to receive a payment for up to one-half of their unused sick leave balance, not to exceed a maximum of \$5,000. In the event of any termination other than retirement, an employee is not paid for any unused sick leave.

A liability for accrued compensated absences is recorded in the government-wide financial statements.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

M. Restricted/Unrestricted Net Assets

It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

O. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

P. Date of Managements' Review

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through March 16, 2012, the date that the financial statements were available to be issued.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2 - Deposits (Cash) and Investments

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the County.

In accordance with applicable statutes, the County has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the County incurs for banking services received. The County may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. County policy requires the collateralization level to be at least 110% of market value of principal and accrued interest.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

Commissioners Court has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the County are in compliance with this policy. State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt obligations of the United States, and certain repurchase agreements. Investments in security repurchase agreements are authorized when the investment has a defined termination date, is secured by obligations described in the Public Funds Investment Act, is pledged to the County, is deposited with a third party selected and approved by the entity, and is placed through a primary government securities dealer or national bank domiciled in the State of Texas. The County did not invest in repurchase agreements for the year ended September 30, 2011.

B. Deposit and Investment Amounts

The County's cash and investments are classified as: cash and cash equivalents, and investments. Cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account.

At September 30, 2011, the County's cash deposits are either insured by FDIC or covered by collateral held by the County's agent in the County's name.

The following schedule shows the County's recorded cash and cash equivalents and investment pools at year-end, excluding Agency Funds:

	<u>Total Fair Value</u>
Cash deposits	\$ 133,404,234
Certificates of deposit	495,579
Investment pools:	
Texas CLASS	2,193,082
TexasTERM	5,358
LOGIC	8,066
Total cash and investment pools	<u><u>\$ 136,106,319</u></u>

Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Public Funds Investment Act, chapter 2256, Texas Government Code. Texas CLASS was established in 1996. Pursuant to the Trust Agreement, Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. Cutwater Investor Services Corp. serves as Program Administrator. Cutwater Investor Services Corp. is a subsidiary of Cutwater Asset Management. Texas CLASS is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately \$1 per share.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Deposits (Cash) and Investments (continued)

B. Deposit and Investment Amounts (continued)

The TexasTERM Local Government Investment Pool (TexasTERM) is organized in conformity with the Texas Public Funds Investment Act of the Texas Government Code. It provides for a fixed-rate, fixed-term investment for a period of 60 days to one year and includes TexasDAILY, a portfolio of the Local Government Pool, providing daily access to funds. An Advisory Board composed of participants in TexasTERM and other parties who do not participate in the Pool, has responsibility for the overall management of the Pool, including formulation and implementation of its Investment and Operating Policies. PFM Asset Management LLC ("PFM"), a leading national financial and investment advisory firm, is the investment advisor to the pool. TexasTERM's TexasDAILY portfolio is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately \$1 per share.

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Public Funds Investment Act, chapter 2256, Texas Government Code. The Pool was created in April, 1994 through a contract among its participating governmental units, and is governed by a board of directors ('the board'), to provide for the joint investment of participant's public funds and funds under their control. LOGIC is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately \$1 per share.

Interest Rate Risk

At year-end, the County had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Percentage of Total Portfolio</u>
Certificates of deposit	\$ 495,579	271	18.3%
Investment pools:			
Texas CLASS	2,193,082	30	81.2%
TexasTERM	5,358	50	0.2%
LOGIC	8,066	42	0.3%
Total Fair Value	<u>\$ 2,702,085</u>		
Portfolio weighted average maturity		<u>74</u>	

It is the County's policy to select any individual investment with a maximum stated maturity of thirty-six (36) months. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest rate of return of interest. When the County has funds not required to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for the group of funds.

The County's investments in the state investment pools via Texas CLASS, TexasTERM, and LOGIC were rated Aaa by Moody Investments and AAAM by Standard and Poor's.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Deposits (Cash) and Investments (continued)

B. Deposit and Investment Amounts (continued)

Concentration of Credit Risk

It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

It is the County's policy to select investments in order to provide stability of income and reasonable liquidity.

Note 3 - Receivables

Receivables, including applicable allowances for uncollectible accounts, as of September 30, 2011, were as follows:

	Governmental Activities			Total
	General	Debt Service	Other Governmental Funds	
Receivables:				
Taxes	\$ 6,575,619	\$ 578,939	\$ 1,231,902	\$ 8,386,460
Grants	6,474,269		1,018,936	7,493,205
Fees and fines	4,319,143			4,319,143
Accrued interest	7,557			7,557
Other	2,251,733	15,841	1,401,111	3,668,685
Gross receivables	19,628,321	594,780	3,651,949	23,875,050
Less: allowance for uncollectibles	(657,562)	(57,894)	(123,190)	(838,646)
Total	\$ 18,970,759	\$ 536,886	\$ 3,528,759	\$ 23,036,404

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 3 – Receivables (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2011, the various components of deferred revenue reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes (general fund)	\$ 5,918,057	\$
Delinquent property taxes (road and bridge fund)	753,585	
Delinquent property taxes (drainage district fund)	355,127	
Delinquent property taxes (debt service fund)	521,045	
Fees and fines (general fund)	4,319,143	
Grant funds received prior to meeting all eligibility requirements		3,556,645
Total deferred revenue for governmental funds	<u><u>\$ 11,866,957</u></u>	<u><u>\$ 3,556,645</u></u>

Note 4 - Property Taxes

The County's tax year covers the period October 1 through September 30. The County's property taxes are levied annually in October on the basis of the Fort Bend Central Appraisal District's (CAD) assessed values as of January 1 of that calendar year. Such taxes become delinquent on February 1 of the subsequent calendar year. The CAD establishes appraised values at 100% of market value less exemptions. The County's property taxes are billed and collected by the County's Tax Assessor/Collector.

A. 2010 Tax Year

Property taxes are prorated between the General, certain Special Revenue, and Debt Service Funds based on rates adopted for the year of the levy. For the 2011 fiscal year (2010 tax year), the County levied property taxes of \$0.49976 per \$100 of assessed valuation. The 2010 rates resulted in total adjusted tax levies of approximately \$194.6 million based on a total adjusted valuation of approximately \$37.4 billion. The total tax rate in the 2010 tax year was prorated as follows:

	<u>2010 Rate</u>	<u>2010 Limit</u>
General, certain special revenue and debt service funds	\$ 0.45246	\$ 0.80000
Special road & bridge funds	\$ 0.02770	\$ 0.15000
Fort Bend County Drainage District	\$ 0.01960	\$ 0.25000
Total Tax Rate	<u><u>\$ 0.49976</u></u>	<u><u>\$ 1.20000</u></u>

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 4 - Property Taxes (continued)

B. Fort Bend Central Appraisal District

The Fort Bend Central Appraisal District (CAD), a separate governmental entity, is responsible for the recording and appraisal of property for all taxing units in the County.

The CAD is required by state law to assess property at 100% of its appraised value. Further, real property must be appraised at least every four years. Under certain circumstances, the taxpayers and taxing units, including the County, may challenge orders of the CAD's Appraisal Review Board through various appeals and, if necessary, legal action may be taken.

The Commissioners Court will continue to set the tax rates on the property. State law also provides that, if approved by the qualified voters in the County, collection functions may be assigned to the CAD.

Note 5 - Interfund Activity

During the year, cash advances are occasionally made between funds for various projects and situations, which create receivables and payables between these funds. All of these interfund balances are expected to be paid within one year. At September 30, 2011, the interfund receivables and payables were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 15,317,511	\$ 2,198,840
Non-major Governmental Funds	9,512,732	22,914,538
	<u>24,830,243</u>	<u>25,113,378</u>
Internal Service Funds	283,237	102
Total Governmental Activity	<u>\$ 25,113,480</u>	<u>\$ 25,113,480</u>

Interfund transfers

Transfers totaling approximately \$14.4 million were made during the year primarily for the purpose of moving unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with the budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	Transfers In	Transfers Out
General Fund	\$ 5,260,901	\$ 8,965,489
Non-major Governmental Funds	9,141,885	5,437,297
	<u>\$ 14,402,786</u>	<u>\$ 14,402,786</u>

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2011, is as follows:

	Primary Government			Balance 09/30/11
	Balance 10/01/10	Increases	Decreases	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 318,334,776	\$ 15,099,975	\$	\$ 333,434,751
Construction-in-progress	152,903,502	66,560,089	(99,212,977)	120,250,614
Total capital assets not being depreciated	<u>471,238,278</u>	<u>81,660,064</u>	<u>(99,212,977)</u>	<u>453,685,365</u>
Other capital assets:				
Vehicles	22,628,966	6,060,587	(2,615,345)	26,074,209
Office furniture and equipment	24,137,597	3,810,303	(899,313)	27,048,587
Machinery and equipment	24,517,102	2,533,314	(1,397,649)	25,652,766
Buildings, facilities and improvements	225,992,477	86,282,555		312,275,031
Infrastructure	415,884,110	31,587,290		447,471,401
Total other capital assets	<u>713,160,252</u>	<u>130,274,049</u>	<u>(4,912,307)</u>	<u>838,521,994</u>
Accumulated depreciation for:				
Vehicles	(13,837,784)	(2,897,397)	2,441,061	(14,294,120)
Office furniture and equipment	(13,369,485)	(3,288,600)	868,976	(15,789,109)
Machinery and equipment	(13,224,104)	(1,570,927)	1,223,124	(13,571,907)
Buildings, facilities and improvements	(54,334,313)	(6,682,237)		(61,016,550)
Infrastructure	(111,748,493)	(11,751,370)		(123,499,863)
Total accumulated depreciation	<u>(206,514,179)</u>	<u>(26,190,531)</u>	<u>4,533,161</u>	<u>(228,171,549)</u>
Other capital assets, net	506,646,073	104,083,518	(379,146)	610,350,445
Total Governmental Activities capital assets, net	<u>\$ 977,884,351</u>	<u>\$ 185,743,582</u>	<u>\$ (99,592,123)</u>	<u>\$1,064,035,810</u>

Depreciation expenses were charged to the following functions in the statement of activities:

Fiscal Year 2011 Depreciation Expense	
General administration	\$ 1,179,617
Financial administration	211,010
Administration of justice	5,265,772
Construction and maintenance	13,990,660
Health and welfare	1,106,550
Cooperative services	58,409
Public safety	2,796,140
Parks and recreation	430,233
Library	1,152,140
Total Depreciation Expense	<u>\$ 26,190,531</u>

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Capital Assets (continued)

Construction-in-progress and remaining commitments under related construction contracts for general government construction projects at September 30, 2011, is as follows:

2011 CONSTRUCTION COSTS						
Project	Balance 10/01/10	Increases- Retainage Included	Decreases- Capitalizations	Decreases- Adjustments	Balance 09/30/11	Remaining Commitments
2000 Mobility Projects - Bonds	\$ 37,300,220	\$ 9,111,704	\$ (7,898,972)	\$	\$ 38,512,952	\$ 1,252
2007 Mobility Projects - Bonds	30,864,194	25,058,579	(8,154,184)		47,768,589	7,411,884
Animal Control Expansion		58,746			58,746	474,458
Animal Control Satellite Office	250	66,888			67,138	
Big Creek	2,137,832	241,123		(272,700)	2,106,255	300,338
Big Creek FBFCWSC - Bonds	11,676,161	64,522		272,700	12,013,383	300
Bridge Construction	24,067				24,067	8,155
CAD Expansion		5,140			5,140	26,568
Commissioners' Courtroom AV Upgrade		226			226	
Courthouse Renovation Grant	48,311	338,711			387,022	
Crabb River Rd Expansion	600,608	27,842			628,450	64,794
Employee Clinic		88,810			88,810	282,109
EMS Facility Prop 3 - Bonds		108,099			108,099	
Facilities - Eugene Heimann Circle - Bonds		36,357	(877)		35,480	
Facilities Tracking Software	26,500				26,500	26,900
Fairgrounds Renovations	178,237				178,237	
FM762 Landscaping		10,268			10,268	
GML Library Prop 2 - Bonds	717,827	10,318			728,145	
Integrated Library System - Polaris		98,998			98,998	22,571
JP2 Expansion	113,941	440,201			554,142	
Kitty Hollow Park Expansion		28,140			28,140	72,751
Lawson Upgrade		149,751			149,751	199,195
Parkway Road District - Bonds	3,704				3,704	
Phone System Upgrade	26,954	422,482			449,436	79,250
Senior Citizens' Community Center	167,511	18,179			185,690	138,920
Sugar Land Library Prop 2 - Bonds	708,162	6,557,110			7,265,272	
Sugarland Annex Parking Lot		52,154			52,154	
Tax Office Missouri City	802,523				802,523	
Taylor House	43,986	9,312			53,298	
Time Management System-GHG		1,040			1,040	
Travis Building Renovation		262,884			262,884	37,521
U of H Library	25,855				25,855	
Upper Oyster Creek	5,321,540	2,248,680			7,570,220	
Projects Completed in FY2011	62,115,119	21,043,825	(83,158,944)			344,813
Totals	\$ 152,903,502	\$ 66,560,089	\$ (99,212,977)	\$	\$ 120,250,614	\$ 9,491,779

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Capital Assets (continued)

A summary of changes in the discretely presented component units (Fort Bend County Toll Road Authority and Fort Bend Grand Parkway Toll Road Authority) capital assets for the year ended September 30, 2011, is as follows:

	Discretely Presented Component Units			Balance 09/30/11
	Balance 10/01/10	Increases	Decreases	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,694	\$ 1,686,072	\$	\$ 1,688,766
Construction-in-progress		10,687,100	(814,638)	9,872,461
Total capital assets not being depreciated	<u>2,694</u>	<u>12,373,172</u>	<u>(814,638)</u>	<u>11,561,227</u>
Other capital assets:				
Infrastructure	167,192,767	817,332		168,010,099
Total other capital assets	<u>167,192,767</u>	<u>817,332</u>		<u>168,010,099</u>
Accumulated depreciation for:				
Infrastructure	(18,036,467)	(4,225,092)		(22,261,558)
Total accumulated depreciation	<u>(18,036,467)</u>	<u>(4,225,092)</u>		<u>(22,261,558)</u>
Other capital assets, net	149,156,300	(3,407,759)		145,748,541
Total Governmental Activities capital assets, net	<u>\$ 149,158,994</u>	<u>\$ 8,965,413</u>	<u>\$ (814,638)</u>	<u>\$ 157,309,768</u>

Depreciation expense for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority totaled \$4,225,092 for fiscal year 2011.

Construction-in-progress and remaining commitments under related construction contracts for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority construction projects at September 30, 2011, is as follows:

2011 CONSTRUCTION COSTS					
Project	Balance 10/01/10	Increases- Retainage Included	Decreases- Capitalizations	Balance 09/30/11	Remaining Commitments
Fort Bend County Toll System	\$	\$ 1,908,522	\$ (814,638)	\$ 1,093,884	\$ 53,825
Grand Parkway Toll Road		8,778,578		8,778,578	5,180,620
Totals	<u>\$</u>	<u>\$ 10,687,100</u>	<u>\$ (814,638)</u>	<u>\$ 9,872,461</u>	<u>\$ 5,234,445</u>

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Long-Term Debt

A. General Obligation Bonds and Long-term Liabilities

Long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Long-term bonded debt at September 30, 2011, is as follows:

Primary Government				
Original Issue	Description	Interest Rate	Matures	Debt
		%		Outstanding
General Obligation Bonds				
\$ 30,245,000	Unlimited Tax Road Bonds, Series 2006	4.00 - 5.00	2026	\$ 25,110,000
9,675,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2010	2.50 - 4.00	2021	9,605,000
26,000,000	Unlimited Tax Road Bonds, Series 2007	4.00 - 4.25	2027	22,330,000
126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	126,245,000
48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	45,665,000
73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	70,550,000
20,780,000	Unlimited Tax Road Refunding Bonds, Series 2009	3.00 - 5.00	2021	<u>18,760,000</u>
	Total General Obligation Bonds			<u><u>\$ 318,265,000</u></u>

The County issues general obligation bonds primarily for the purpose of funding construction projects. The Facilities and Justice Center Limited Tax Bonds were issued to provide funds for the construction of major County facilities. The Unlimited Tax Road Bonds have been issued to fund the acquisition of right-of-way and the construction of roads and bridges that are within the County’s major thoroughfare plan. The Fort Bend Flood Control Water Supply Bonds were issued to fund the improvement of the Drainage District infrastructure.

All of the County’s outstanding bond issues are subject to federal arbitrage regulations. The County complies with the five year reporting requirements to the Internal Revenue Service for rebate calculation. As of the date of this report, the County has no contingent rebatable arbitrage.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Long-Term Debt (continued)

A. General Obligation Bonds and Long-term Liabilities (continued)

A summary of long-term liability transactions of the County for the year ended September 30, 2011, follows:

	Balance 10/01/10	Additions	Retirements	Balance 09/30/11	Amounts Due Within One Year
General obligation bonds	\$ 331,410,000	\$ 9,675,000	\$ 22,820,000	\$ 318,265,000	\$ 13,300,000
Premiums on bonds	12,038,573	784,853	780,175	12,043,251	
Totals	343,448,573	10,459,853	23,600,175	330,308,251	13,300,000
Accrued compensated absences	5,392,775	5,864,991	5,697,332	5,560,434	1,390,109
Other post-employment benefits (OPEB) obligation	75,112,628	26,647,414		101,760,042	
Totals	80,505,403	32,512,405	5,697,332	107,320,476	1,390,109
Total Long-Term Liabilities	\$ 423,953,976	\$ 42,972,258	\$ 29,297,507	\$ 437,628,727	\$ 14,690,109

In prior years, the General Fund's resources have been used to liquidate other long-term liabilities, including accrued compensated absences.

Annual debt service requirements to maturity for the general obligation bonds are summarized as follows:

	Principal	Interest	Totals
2012	\$ 13,300,000	\$ 14,698,760	\$ 27,998,760
2013	13,725,000	14,154,579	27,879,579
2014	14,295,000	13,541,073	27,836,073
2015	14,740,000	12,935,873	27,675,873
2016	15,185,000	12,317,610	27,502,610
2017-2021	82,525,000	50,561,027	133,086,027
2022-2026	87,810,000	29,979,841	117,789,841
2027-2031	76,685,000	8,219,120	84,904,120
Totals	\$ 318,265,000	\$ 156,407,883	\$ 474,672,883

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Long-Term Debt (continued)

A. General Obligation Bonds and Long-term Liabilities (continued)

Discretely presented component unit (Fort Bend County Toll Road Authority) long-term bonded debt as of September 30, 2011, is listed below:

Discretely Presented Component Unit				
Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
\$ 63,695,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003	4.00 - 5.00	2032	\$ 62,695,000
72,195,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004	3.63 - 5.00	2032	<u>71,795,000</u>
Total General Obligation Bonds				<u><u>\$ 134,490,000</u></u>

A summary of long-term liability transactions of the discretely presented component unit for the year ended September 30, 2011, follows:

	Balance 10/01/10	Additions	Retirements	Balance 09/30/11	Amounts Due Within One Year
General obligation bonds	\$ 135,890,000	\$	\$ 1,400,000	\$ 134,490,000	\$ 1,645,000
Premiums on bonds	3,145,014		142,955	3,002,059	
Totals	<u><u>\$ 139,035,014</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,542,955</u></u>	<u><u>\$ 137,492,059</u></u>	<u><u>\$ 1,645,000</u></u>

Annual debt service requirements to maturity the general obligation bonds are summarized as follows:

	Principal	Interest	Totals
2012	\$ 1,645,000	\$ 6,665,741	\$ 8,310,741
2013	1,900,000	6,596,050	8,496,050
2014	2,345,000	6,499,425	8,844,425
2015	2,820,000	6,370,300	9,190,300
2016	3,530,000	6,209,138	9,739,138
2017-2021	27,160,000	27,425,988	54,585,988
2022-2026	36,840,000	19,352,750	56,192,750
2027-2031	47,310,000	8,882,750	56,192,750
2032-2036	10,940,000	273,500	11,213,500
Totals	<u><u>\$ 134,490,000</u></u>	<u><u>\$ 88,275,642</u></u>	<u><u>\$ 222,765,642</u></u>

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 7 - Long-Term Debt (continued)

A. General Obligation Bonds and Long-term Liabilities (continued)

On October 12, 2010, the Fort Bend Flood Control Water Supply Corporation ("FBFCWSC") issued \$9,675,000 of Revenue Refunding Bonds to refund and defease the FBFCWSC's outstanding Revenue Bonds, Series 2001 of \$10,070,000. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,380,843 and resulted in an economic gain of \$1,269,369.

B. Conduit Debt

The Fort Bend County Housing Finance Corporation is authorized to finance residential housing by issuing tax-exempt revenue bonds to acquire mortgage loans as security for the payment of the principal and interest of such revenue bonds. The tax-exempt bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2011, \$11,019,851 of total bonds are outstanding.

The Fort Bend County Industrial Development Corporation is authorized to finance industrial development projects as defined by the Development Act of 1979 by issuing bonds. The bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. During 2011, the corporation issued Recovery Zone Facility Bonds (Accredo Packaging, Inc. Project), Series 2010 bonds in the amount of \$11,500,000. As of September 30, 2011, \$13,838,919 of total bonds are outstanding.

Note 8 - Employee Retirement System

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 493 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with eight or more years of service at age 60 and above, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Employee Retirement System (continued)

A. Plan Description (continued)

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

B. Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.65% for calendar year 2011. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2011 was \$108.1 million and the County's contributions were based on a payroll of \$106.7 million. Contributions made by employees totaled \$7.5 million, and the County made contributions of \$11.4 million during the fiscal year ended September 30, 2011.

Three-year trend information for the Pension Plan is presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Pension Cost (APC)	\$ 11,418,711	\$ 11,235,138	\$ 10,187,718
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period	0	0	0

For the year ended September 30, 2011, the pension cost for the TCDRS plan and the actual contributions made were \$11,418,711. Because all contributions are made as required, no pension obligation existed at September 30, 2011.

<u>Actuarial Information</u>	<u>12/31/2010</u>
Actuarial cost method	Entry age
Amortization method	level percentage of payroll, closed
Amortization period	20 years
Asset valuation method	SAF: 10-year smoothed value ESF: Fund value
Assumptions:	
Investment return	8.0%
Projected salary increases	5.4%
Inflation	3.5%
Costs-of-living adjustments	0.0%

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Employee Retirement System (continued)

C. Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Schedule of Funding Information

Actuarial valuation date		12/31/2010
Actuarial value of assets	\$	257,926,802
Actuarial accrued liability (AAL)	\$	307,767,507
liability (UAAL or OAAL)	\$	49,840,705
Funded ratio		83.81%
Annual covered payroll (actuarial)	\$	106,041,139
UAAL or OAAL as % of covered payroll		47.00%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

Note 9 - Deferred Compensation Plan

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. Nationwide Retirement Solutions, Security Benefit Life, and Edward Jones have been appointed as plan administrators. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or emergency. Amounts of compensation deferred by employees under the plan provisions are disbursed to the plan administrators after each pay period. The plan administrators hold all funds invested in the plan and disburse funds to employees in accordance with plan provisions. The County does not maintain significant oversight of the plan administrators' activities.

Note 10 - Other Post-Employment Benefits

A. Plan Description

In addition to providing pension benefits through the Texas County and District Retirement System, the County sponsors and administers a single-employer defined benefit health care plan titled "Fort Bend County Employee Benefit Plan" ("Plan"). The Plan was established and approved by Fort Bend County Commissioners Court and Chapter 175 of the Local Government Code which provides eligible employees, retirees, and their eligible dependents with the following post-employment benefits:

- Eligible retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees
- Eligible dependents of retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

The Plan does not issue a separate, publicly available report.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 10 - Other Post-Employment Benefits (continued)

B. Funding Policy and Contribution Rates

The contribution requirements of the County and plan members are established and may be amended by Commissioners Court. These contributions are neither guaranteed nor mandatory. The County has retained the right to unilaterally modify its payments toward retiree healthcare benefits. The Plan provides for the payment of a portion of the health and dental insurance premiums for eligible retired employees and their dependents. Plan members receiving benefits contribute a percentage of the monthly insurance premium. Currently, the Plan pays a portion of the retiree's premiums, as well as his or her dependent coverage. The retiree contributes the premium cost each month, less the Plan subsidy.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County, therefore, charges both groups an equal, blended rate premium. Although both groups are charged the same rate, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the County has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. At September 30, 2011, there were 365 retirees receiving benefits and approximately 2,275 active members not yet eligible to receive such benefits. Commencing in fiscal 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The County has performed an actuarial valuation of its post-retirement benefit liability. The financial statement disclosures for 2011 are as follows:

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 10 - Other Post-Employment Benefits (continued)

C. Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2011, the County's annual OPEB cost for the Plan was \$31,751,414. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2011, were as follows:

	Fiscal Year Ending 9/30/11
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 17,130,282
Amortization of Unfunded Actuarial Accrued Liability	15,793,330
Annual Required Contribution (ARC)	<u>32,923,612</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	32,923,612
Interest on prior-year Net OPEB Obligation	3,004,505
Adjustment to ARC	(4,176,703)
Annual OPEB Cost	<u>31,751,414</u>
Less Assumed Contributions Made	<u>(5,104,000)</u>
Estimated Increase in Net OPEB Obligation	26,647,414
Net OPEB Obligation - Beginning of Year	<u>75,112,628</u>
Net OPEB Obligation - End of Year	<u><u>\$ 101,760,042</u></u>
Percentage of OPEB Cost Contributed	16.1%

D. Trend Information

The following table shows the annual OPEB cost and net OPEB obligation for the prior three years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	4%	\$ 26,608,211	7.3%	\$ 48,819,922
2010	4%	\$ 30,699,706	14.4%	\$ 75,112,628
2011	4%	\$ 31,751,414	16.1%	\$ 101,760,042

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 10 - Other Post-Employment Benefits (continued)

E. Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Actuarial valuation date	October 1, 2009
Actuarial value of plan assets (a)	\$0
Actuarial accrued liability (AAL) (b)	\$ 240,282,297
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	\$ 240,282,297
Funded Ratio (a/b)	0.0%
Annual Covered Payroll (c)	\$ 104,983,019
UAAL or OAAL as % of covered payroll ((b-a)/c)	228.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

F. Actuarial Methods and Assumptions

The actuarial cost method used for determining the benefit obligations is a Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on certain assumptions and census data. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, The Unfunded AAL is amortized as a level dollar over 30 years. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement for themselves and their spouses is 100% and 40% respectively. The valuation assumes a 4.9% to 8.5% healthcare cost trend increase beginning in fiscal year 2010 based on the premiums of the respective plan types, reduced by decrements to rates of 4.9% to 6.1% after 7 years.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 11 – Net Pension Obligation and Other Post-Employment Benefits Funding in Prior Years

The governmental funds that have been used to fund the net pension obligation and other post-employment benefit obligations in prior years have been General Fund and Drainage. Drainage has only funded these obligations for retirees that worked for that department through the date of their retirement. All other obligations for retirees have been funded within General Fund.

Note 12 – Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of September 30, 2011, fund balance for the government fund is made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the County’s Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the County’s Board or (b) a body (for example: a budget or finance committee) or official to which the County’s Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The County’s policy is to budget to maintain a minimum fund balance of 15% of the County’s General Fund annual operating expenditures. If the actual fund balance drops below 15%, it shall be budgeted for recovery the following year. This policy is reviewed annually.

Fund balances for all the major and non-major governmental funds as of September 30, 2011, were distributed as shown on the following page:

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 12 – Fund Balances (continued)

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid expenses	\$ 136,007	\$	\$ 69,379	\$ 205,386
Subtotal	<u>136,007</u>	<u></u>	<u>69,379</u>	<u>205,386</u>
Restricted for:				
General administration			2,650,738	2,650,738
Financial administration			25,108	25,108
Administration of justice			3,222,487	3,222,487
Construction and maintenance			24,035,147	24,035,147
Health and welfare			141,149	141,149
Public safety			4,288,171	4,288,171
Library			138,865	138,865
Debt service		5,181,758		5,181,758
Subtotal	<u></u>	<u>5,181,758</u>	<u>34,501,665</u>	<u>39,683,423</u>
Committed to:				
Capital projects	33,106,759			33,106,759
Subtotal	<u>33,106,759</u>	<u></u>	<u></u>	<u>33,106,759</u>
Unassigned	<u>10,816,215</u>	<u></u>	<u>(4,419,144)</u>	<u>6,397,071</u>
Total Fund Balances	<u>\$ 44,058,981</u>	<u>\$ 5,181,758</u>	<u>\$ 30,151,900</u>	<u>\$ 79,392,639</u>

Note 13 - Contingencies and Commitments

A. Construction Contract Commitments

The County had several capital improvement commitments at September 30, 2011. A contract between two parties does not result immediately in the recognition of a liability. Instead, a liability is incurred when performance has occurred under the contract. Until such time as performance takes place, these contracts represent a commitment rather than a liability. These commitments and their related construction-in-progress are summarized in Note 6.

B. Litigation and Other Contingencies

The County is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the County as of September 30, 2011.

Note 14 - Risk Management

The County is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss through self-insurance and obtaining property, casualty, and liability coverage through commercial insurance carriers. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 14 - Risk Management (continued)

Liabilities have been recorded for workers' compensation, auto liability, general liability, and employee benefits. These liabilities are recorded when it is probable that a loss has occurred and the amount can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses regardless of whether allocated to specific claims. Non-incremental claim adjustment expenses have not been included as part of the liability for claims and judgments. However, estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year ended</u> <u>9/30/2011</u>	<u>Year ended</u> <u>9/30/2010</u>
Unpaid claims, beginning of year	\$ 7,150,314	\$ 5,706,627
Incurred claims (including IBNRs)	26,968,699	26,418,069
Claim payments	<u>(26,378,579)</u>	<u>(24,974,382)</u>
Unpaid claims, end of year	<u>\$ 7,740,434</u>	<u>\$ 7,150,314</u>

Note 15 – Deficit Net Assets

As of September 30, 2011, Other Self-Funded Insurance Fund has deficit net assets of \$2,507,201. This was caused by increased workers' compensation claims during fiscal year 2010. Management plans to increase the allocation for Other Self-Funded Insurance by 33% annually over the next three years to eliminate this deficit net assets balance.

As of September 30, 2011, the Fort Bend Grand Parkway Toll Road Authority has deficit net assets of \$3,745,020. This was caused by loans from the Fort Bend County Toll Road Authority and the County General Fund to begin construction of the Fort Bend Grand Parkway Toll Road. The issuance of bonds in fiscal year 2012 will allow for these loans to be repaid and eliminate this deficit net assets balance.

Note 16 – Deficit Fund Balance

As of September 30, 2011, Mobility 2009 Projects fund has a deficit fund balance of \$4,418,611. This was caused by a loan from General Fund to continue the road construction projects after the bond proceeds were exhausted. The issuance of the next mobility bonds will allow for this loan to be repaid and the elimination of the fund balance deficit.

Note 17 – Restatement of Beginning Net Assets

During the 2011 fiscal year, the County made adjustments to its capital asset records. As a result of these adjustments, the County has restated its beginning capital asset amounts for construction in progress, vehicles, office furniture and equipment, road equipment, and buildings-facilities-and improvements by (\$511,313), (\$696,472), \$33,855, \$915,335, and \$314,959 respectively. Accumulated depreciation for vehicles, office furniture and equipment, road equipment, and buildings facilities and improvements by \$864,752, (\$17,539), \$892,029, and \$2,144 respectively. Therefore, governmental activities beginning net assets total was increased by \$9,403.

FORT BEND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 18 - Subsequent Event

Fort Bend County has plans for three bond sales in fiscal year 2012. The next issue of mobility bonds approved by voters in May 2007 is planned for April 2012 in the amount of \$65 million in unlimited tax road bonds. The Fort Bend County Toll Road Authority plans to issue \$20 million in revenue bonds during the summer of 2012 for the State Highway 6 underpass as an extension of the Fort Bend Parkway Toll Road. The Fort Bend Grand Parkway Toll Road Authority plans to issue \$175 million in revenue bonds for the construction of tolled overpasses along State Highway 99 from US 59 to the Westpark Tollway.

Note 19 – Fort Bend County Toll Road Authority Capital Asset Adjustment

A portion of the depreciable capital asset for the Fort Bend County Toll Road Authority (Authority) will be reclassified as non-depreciable in fiscal year 2012 on the Statement of Net Assets. This reclassification relates to the acquisition of right of way for the Toll Road System during fiscal years 2003 and 2004. This adjustment will require a correction of depreciation expense that was previously taken on these non-depreciable capital acquisitions in fiscal years 2005 through 2011 on the Statement of Changes in Net Assets. The analysis and identification of these non-depreciable capital acquisitions for the Toll Road System are being performed by the Authority and will be completed and presented to the County Auditor in fiscal year 2012 for correction.

APPENDIX D

**EXCERPTS FROM THE AUTHORITY'S
FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**FORT BEND GRAND PARKWAY TOLL ROAD
AUTHORITY
FINANCIAL REPORT
For the Year Ended September 30, 2011**



Prepared by:

Fort Bend County Auditor's Office

Robert Ed Sturdivant, CPA

County Auditor

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
TABLE OF CONTENTS

	<u>Page(s)</u>
 <u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i-iii
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Statement of Cash Flows	11
Notes to the Financial Statements	12-15



COUNTY AUDITOR

Fort Bend County, Texas

Robert Ed Sturdivant
County Auditor

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February 29, 2012

To the Board of Directors of the Fort Bend Grand Parkway Toll Road Authority, Members of the Commissioners' Court, and Citizens of Fort Bend County, Texas:

The Fort Bend County Auditor's Office is pleased to present the Basic Financial Statements of the Fort Bend Grand Parkway Toll Road Authority ("Authority"), a component unit of Fort Bend County ("County"), for the fiscal year ended September 30, 2011. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Sandersen Knox and Company, LLP has issued an unqualified (or "clean") opinion on the Authority's financial statements for the year ended September 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Authority

In 2007, during the 80th Texas Legislature, Senate Bill 792 was signed into law giving counties the option to take over development of the Grand Parkway from the Texas Department of Transportation (TxDOT). In September of 2009, Fort Bend County Commissioner's Court ("Court") signed their order to assume the responsibility of financing, designing, constructing, operating and tolling Segment D of the Grand Parkway. The Authority was created by the Court as a local government corporation pursuant to the Texas Transportation Code.

The Authority, located in Sugar Land, Texas, is underway with this new key mobility project for the County; Segment D of the Grand Parkway. Segment D of the Grand Parkway will be the third such effort by the County to provide alternative transportation options for Fort Bend County residents and the greater Houston area in the form of a toll road.

In May of 2011, the Authority executed the "Right of Use" agreement with TxDOT allowing the Authority to use state highway right-of-way (ROW) and giving the green light to begin construction of the nine (9) new tolled overpasses and eight (8) miles of main-lane development that ultimately create Segment D of the Grand Parkway. Construction of the first two overpasses began in August of 2011 with the additional overpasses and main-lanes construction to begin early summer of 2012.

Local Economy

The County continues to experience the impact of the national economic slowdown. The impact of the slowdown is evident in the reduction in new home sales, a slightly lower increase in the labor force, and an increase in the unemployment rate. However, this has not decreased the demand for mobility improvements by the citizens of the County. The Authority plans to use a conservative approach to the allocation of resources to serve the County's needs in relation to the development of the Grand Parkway Toll Road to ensure that the County is prepared as the economic slowdown continues. This ongoing conservative approach will not change the Authority's focus on providing the level of service demanded by the residents of the County.

Long-Term Financial Planning and Relevant Financial Policies

Budget

The Authority adopts a one-year budget through its fully coordinated financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. The budget is a financial plan for a fiscal year of operations that matches all planned revenues and expenses with the services provided the citizens of the County based on the established budget policy. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the Authority and County.

Long-Term Comprehensive Plan

The Authority's long-term plan is to manage, maintain, and expand the Grand Parkway Toll Road by adding tolled overpasses to the existing road to enhance the County's master thoroughfare system.

Capital Improvement Program

The Authority maintains a multi-year Capital Projects Plan that includes toll road mobility projects.

These capital initiatives involve the construction of tolled overpasses at West River Park, New Territory Blvd., US90A/FM1464, West Airport, Harlem Road, Mason Road, West Belfort/Morton Road, Peek Road (design only), Bellaire Blvd., and FM1093/Westpark Tollway.

Debt Policy

The purpose of the County's Debt Policy (which includes the Authority) is to establish guidelines for the utilization of debt instruments issued by the County and Authority whether payable from County taxes or payable from certain revenues of the County or Authority.

The County and Authority will ensure all uses of debt instruments are in compliance with all statutory requirements, and in accordance with the guidelines, outstanding ordinances, insurance covenants, and existing agreements. Further, the County and Authority will ensure that the utilization of any debt instrument provides the most prudent and cost-effective funding possible, taking all material matters into

account.

Major Initiatives

Mobility remains one of the top priorities of the Authority as the County continues to grow and develop. With the major roadways already heavily congested, mobility has been, and continues to be, a primary concern. Continued residential and commercial expansion has increased the use of County roads. Right-of-way acquisitions for future roads have required more focus on future planning to prevent project delays. Completed toll road projects have proven to be effective in reducing congestion and enhancing safety within the County.

Acknowledgements

The preparation of this report could not be achieved without the efficient and dedicated services of the staff of the County Auditor's Office and Sandersen Knox & Company, LLP, our independent auditor.

Respectfully submitted,



Robert E. Sturdivant, CPA
County Auditor
Fort Bend County, Texas

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY MISSION STATEMENT
The Fort Bend Grand Parkway Toll Road Authority (FBGPTRA) was created by the Fort Bend County Commissioners Court as a local government corporation pursuant to the Texas Transportation Code, to aid, assist, and act on behalf of the County in the performance of its essential government purposes, including toll road projects.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Bend Grand Parkway Toll Road Authority
Fort Bend County, Texas

We have audited the accompanying financial statements of the Fort Bend Grand Parkway Toll Road Authority (the "Authority") as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1A, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of Fort Bend County, Texas, as of September 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been

subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

DRAFT

Sugar Land, Texas
February 29, 2012

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Bend Grand Parkway Toll Road Authority ("Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, liabilities exceeded assets by \$3,745,020 at the close of the most recent fiscal year.

As of September 30, 2011, the Authority's net assets included \$8,778,577 for investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority had \$12,523,669 in other liabilities for short-term borrowings from the Fort Bend County Toll Road Authority (\$2 million) and Fort Bend County (approximately \$10.3 million). The Authority uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Since the Authority had no financial activity prior to the fiscal year ended September 30, 2011, there is no comparative information to report until the fiscal year ended September 30, 2012.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
CONDENSED STATEMENT OF NET ASSETS

September 30, 2011

	<u>2011</u>
Current and other assets	\$ 72
Capital assets, net	<u>8,778,577</u>
Total Assets	<u>8,778,649</u>
Long-term liabilities	
Other liabilities	<u>12,523,669</u>
Total Liabilities	<u>12,523,669</u>
Net Assets:	
Invested in capital assets, net of related debt	8,778,577
Unrestricted	<u>(12,523,597)</u>
Total Net Assets	<u><u>\$ (3,745,020)</u></u>

The Authority's liabilities exceeded its assets by \$3,745,020. This deficit is due to the Authority using short-term financing to achieve all operating and capital activities.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS

For the year ended September 30, 2011

	<u>2011</u>
Revenues	
Non-operating revenues:	
Miscellaneous income	\$ 72
Total Revenues	<u>72</u>
Expenses	
Operating expenses:	
Fees	3,712,411
Operating interest	32,681
Total Expenses	<u>3,745,092</u>
Change in Net Assets	(3,745,020)
Net Assets, Beginning	
Net Assets, Ending	<u><u>\$ (3,745,020)</u></u>

At the end of the current fiscal year, the Authority reported a deficit balance in net assets of \$3,745,020.

The Authority has no completed components as of September 30, 2011 therefore no operating revenues were recognized. The key element of the decrease in net assets was due to approximately \$3.7 million in fees for consulting, engineering, legal, and administrative activities.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2011, the Authority had \$8,778,577 invested in toll road construction in progress, as reflected in the following schedule.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY'S
CAPITAL ASSETS

	<u>2011</u>
Non-Depreciable Capital Assets	
Construction in progress	\$ 8,778,577
Totals	<u><u>\$ 8,778,577</u></u>

Additions to toll road construction in progress were the result of construction activities on the West River Park, and West Airport overpasses.

Economic Factors

The County continues to enjoy growth in various demographic areas during this ongoing economic slowdown.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The population of the County is estimated at 606,786 in 2011 and is expected to grow by 4.44% annually through 2015. Total employment is estimated at 235,961 in 2011 and is expected to grow by 3.37% annually over the same period.

The number of households has increased to 195,264 in 2011 and is expected to grow to 230,330 by 2015. Mean household income for 2011 is \$129,337 and is estimated to rise to \$146,579 by 2015. Income per capita is currently at \$41,986 and is expected to grow to \$48,116 by 2015. Retail sales increased by 7.8% to \$6.19 billion in 2011 and are expected to grow to \$7.37 billion by 2015.

Mobility improvements continue to be a demand from the residents of Fort Bend County. The Authority is proceeding with several toll road projects that will enhance and compliment the County's road system.

Requests for Information

This financial report is designed to provide a general overview of Authority's finances for all of those with an interest in the Authority's finances. Questions concerning this report or requests for additional financial information should be directed to Ed Sturdivant, County Auditor, 301 Jackson, Suite 533, Richmond, TX 77469, telephone (281) 341-3760.



BASIC FINANCIAL STATEMENTS



FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2011

Assets

Cash and cash equivalents	\$	72
Capital assets, not subject to depreciation		<u>8,778,577</u>
Total Assets		<u><u>8,778,649</u></u>

Liabilities and Net Assets

Liabilities

Due to primary government		10,286,786
Due to Fort Bend County Toll Road Authority		2,000,000
Retainage payable		204,202
Accrued interest payable		<u>32,681</u>
Total Liabilities		<u><u>12,523,669</u></u>

Net Assets

Invested in capital assets, net of related debt		8,778,577
Unrestricted		<u>(12,523,597)</u>
Total Net Assets		<u><u>\$ (3,745,020)</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Operating Expenses	
Fees	\$ 3,712,411
Operating interest	32,681
Total Operating Expenses	<u>3,745,092</u>
Operating (Loss)	(3,745,092)
Non-Operating Revenues	
Miscellaneous income	72
Total Non-Operating Revenues	<u>72</u>
Change in Net Assets	(3,745,020)
Total Net Assets, Beginning of Year	
Total Net Assets, End of Year	<u><u>\$ (3,745,020)</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fort Bend Grand Parkway Toll Road Authority (“Authority”) is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of Grand Parkway/State Highway 99. In particular, the Authority is to assist in the building and operation of the Grand Parkway Toll Road. This Toll Road system includes tolled overpasses at West River Park, New Territory Blvd., US90A/FM1464, West Airport, Harlem Road, Mason Road, West Belfort/Morton Road, Peek Road (design only), Bellaire Blvd., and FM1093/Westpark Tollway.

Based on criteria prescribed by generally accepted accounting principles, the Authority is considered a discretely presented component unit of Fort Bend County, Texas (“the County”). The primary criteria for the inclusion of the Authority in the County’s reporting entity is that of financial accountability. The Commissioners’ Court, the elected governing body of the County, appoints the Authority’s governing body. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. As such, the County is financially accountable for the Authority and the Authority is considered a discretely presented component unit of the County.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included in the statement of net assets.

C. Cash and Cash Equivalents

The Authority’s cash and cash equivalents consist of demand deposits and investment pools.

D. Receivables

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

E. Capital Assets

Capital assets consist of infrastructure that is used in the Authority’s operations. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and the resulting gain or loss is included in the results of operations.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets (continued)

The Authority applies a half-year convention for depreciation on all assets. Therefore, one-half year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation is computed using the straight-line method over an estimated useful life of 20 to 40 years.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

G. Restricted/Unrestricted Net Assets

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Date of Management's Review

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 29, 2012, the date that the financial statements were available to be issued.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Authority.

In accordance with applicable statutes, the County has a depository contract with an area bank (depository) providing for interest to be earned on deposited funds and for banking charges the Authority incurs for banking services received. The Authority may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. County policy requires the collateralization level to be at least 110% of market value of principal and accrued interest.

Commissioners' Court has adopted a written investment policy regarding the investment of the Authority's funds as defined by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the Authority are in compliance with this policy.

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Concentration of Credit Risk

It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. The County manages adherence to this policy for the Authority. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

At September 30, 2011, 100% of the Authority's cash and cash equivalents were contained in demand deposit accounts.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The County monitors interest rate risk for the Authority by utilizing weighted average maturity analysis. In accordance with its investment policy, the County reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years. At year-end, the Authority's cash and investment balances and the weighted average maturity of these investments were as follows:

	Fair Value	Weighted Average Maturity	Percentage of Total Portfolio
Demand Deposits	\$ 72	1	100.0%
Total Cash and Cash Equivalents	\$ 72		
Portfolio weighted average maturity (days)		1	

FORT BEND GRAND PARKWAY TOLL ROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2011 is as follows:

	<u>Balance 10/01/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 09/30/11</u>
Business-type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$	\$ 8,778,577	\$	\$ 8,778,577
Total capital assets not depreciated		<u>8,778,577</u>		<u>8,778,577</u>
Total capital assets	<u>\$</u>	<u>\$ 8,778,577</u>	<u>\$</u>	<u>\$ 8,778,577</u>

Additions to toll road construction in progress were the result of construction activities on the West River Park, and West Airport overpasses. There are also contract commitments of approximately \$5.2 million as of the end of fiscal year 2011.

NOTE 4 - CONTINGENCIES AND COMMITMENTS

Litigation and Other Contingencies

The Authority is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the Authority as of September 30, 2011.

NOTE 5 – ADVANCE FUNDING / NEGATIVE NET ASSETS

During the year ended September 30, 2011, the Authority received advance funding from the Fort Bend County Toll Road Authority to begin construction of the tolled overpasses along Grand Parkway. No bonds have been issued to fund the construction that was underway at September 30, 2011. Due to the advance funding and planned bond issuance during fiscal year 2012, the Authority has a negative asset balance at September 30, 2011.

NOTE 6 – SUBSEQUENT EVENTS

The Authority has begun the construction of the West River Park and West Airport overpasses. Over the next eighteen months the Authority will complete overpasses at New Territory Blvd., US90A/FM1464, Harlem Road, Mason Road, West Belfort/Morton Road, Peek Road (design only), Bellaire Blvd., and FM1093/Westpark Tollway. The Authority plans to issue bonds to fund these overpasses in fiscal year 2012.

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APPENDIX E

GLOSSARY OF TERMS

The following sets forth certain definitions used in this Official Statement. Reference is made to the Indenture, copies of which may be obtained from the Authority, for a full and complete statement of its provisions. The definitions below have been excerpted from the Indenture which is in substantially final form, but may change prior to the closing and may thereafter be amended in accordance with its terms. A summary of the Master Indenture is included in APPENDIX F. See also the section captioned "SECURITY AND SOURCE OF PAYMENT."

"Account" or "Accounts" shall mean anyone or more, as the case may be, of the separate special accounts created and established in Section 502 of the Indenture.

"Accountant" shall mean any certified public accountant or firm of certified public accountants or accounting corporation of recognized experience and qualifications, selected by the Authority and may be the accountant or firm of accountants that regularly audits the books of the Authority.

"Accountant's Certificate" shall mean a certificate signed by the Accountant.

"Act" shall mean collectively Chapter 284, Texas Transportation Code, Chapter 431 Transportation Code and Chapters 1201, 1207, 1371 and 1431, Texas Government Code, as amended.

"Additional Subordinate Lien Bonds" shall mean the additional subordinate lien revenue bonds, notes and obligations permitted to be issued by the Authority pursuant to Section 702 of the Indenture.

"Aggregate Debt Service" shall mean for any Fiscal Year, as of the date of calculation, the sum of the amounts of Debt Service for such year with respect to all Bonds.

"Amortized Value" shall mean the value of an Investment Security calculated by adding the amount of the premium to the par value of the Investment Security or deducting the amount of the discount from the par value of the Investment Security, as the case may be, after such premium or discount has been amortized according to Generally Accepted Accounting Principles for the number of days since the acquisition of the Investment Security.

"Annual Budget" shall mean the annual budget of the Authority for the Project that is adopted pursuant to Section 807 of the Indenture, as amended or supplemented, adopted, or in effect for a particular year or fraction thereof.

"Authority" shall mean the Fort Bend Grand Parkway Toll Road Authority, a local government corporation organized and authorized under Chapter 431 of the Texas Transportation Code.

"Authorized Officer of the Authority" shall mean the President or Vice President of the Authority or any officer or employee of the Authority designated as an "Authorized Officer of the Authority" by Supplemental Indenture, resolution or order duly adopted by the Board of Directors of the Authority.

"Average Annual Debt Service Requirements" shall mean, as of any particular date of computation, the aggregate of the Debt Service Requirements on each series of Bonds divided by the number of years from the date of computation to the date the last Outstanding Bond, at the time of computation, matures. The Average Annual Debt Service Requirement is computed and recomputed upon (1) the issuance of each series of Subordinate Lien Bonds and (2) on each date on which Subordinate Lien Bonds mature or are optionally or mandatorily redeemed. For purposes of this computation a fraction of a year will be considered a full year. In the case of any series of Bonds which (i) has a final maturity date of less than ten years but more than two years from any particular date of computation or (ii) is secured by an unconditional commitment from a financial institution (which commitment as to

form, substance and institution are acceptable to the Trustee) providing for the refinancing of such Bonds, the Average Annual Debt Service Requirements shall be computed as if all of such Bonds matured on a single date which is twenty-five years after the date of issuance of such Bonds.

“Bondowner,” “Owner of Bonds” or “Owner” shall mean the registered owner of any Bond as to both principal and interest.

“Bond” or “Bonds” shall mean “Subordinate Lien Bonds.”

“Business Day” shall mean a day which is not a Saturday, Sunday or banking holiday in New York City or Houston, Texas.

“Capitalized Lease Obligation” shall mean any obligation of the Authority, as lessee, to pay rent under a lease of real or personal property, which obligation, in the judgment of the Accountant, is required to be capitalized on a balance sheet of the lessee in accordance with Generally Accepted Accounting Principles.

“Commissioners Court” shall mean the Commissioners Court of Fort Bend County, Texas which is the governing body of the County.

“Construction Fund” shall mean the “Construction Fund” created and established by Section 502 of the Indenture.

“Consulting Engineers” shall mean the Authority Engineer or the engineering firm or firms at the time employed by the Authority pursuant to the provisions of the Indenture to carry out the duties imposed by the Indenture on the Consulting Engineers.

“Cost” or “Cost of the Project” shall mean all costs of acquisition, construction, improvement, operation and maintenance of the Project that is a qualified Cost under the Act.

“Costs of Issuance” shall mean the items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds, which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Trustee and Paying Agents; bond discounts; legal fees and charges; consulting fees and charges; auditing fees and expense; financial advisor's fees and charges; costs of credit ratings; insurance premiums; fees and charges for execution, transportation and safekeeping of Bonds; and other administrative or other costs of issuing carrying and repaying such Bonds and investing the Bond proceeds.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may also be counsel to the Authority) selected by the Authority and satisfactory to the Trustee.

“County” shall mean Fort Bend County, Texas, a body politic and corporate and a political subdivision of the State of Texas.

“County Reimbursement Fund” shall mean the “County Reimbursement Fund” created pursuant to Section 502 of the Indenture.

“County Reimbursement Obligation” shall mean an amount required to be repaid to the County in accordance with the terms of the Joint Project Agreement.

“Credit Agreement” shall mean any agreement between the Authority and a third party financial institution, political subdivision, or the State of Texas, pursuant to which such party issues a letter of credit, municipal bond insurance policy, line of credit, standby purchase agreement, surety policy, surety bond or other guarantee or credit support document for the purpose of enhancing the creditworthiness or liquidity of any of the Authority's obligations including and pursuant to the terms of any Bonds or Qualified Hedge Agreements and in consideration for which the

Authority may agree to pay, but solely from Net Revenues as provided herein, (i) periodic payments for the availability of such Credit Agreement and/or (ii) reimbursements or repayments of any amounts advanced under such Credit Agreement, together with interest and other stipulated costs and charges related to such amounts advanced. Bonds of the Authority issued pursuant to or in connection with a Credit Agreement shall be deemed to be, and shall be included within, the Debt Service Requirements for the series of Bonds to which the Credit Agreement relates. Each Credit Agreement shall be deemed to be a part of the Bonds of the series to which it relates for the purpose of securing its payment or repayment by the pledge of Net Revenues as provided in the Indenture. However, issuers of Credit Agreements shall not be treated as Owners of Bonds for purposes of any voting rights to approve amendments or to direct the exercise of any remedies under the Indenture.

“Debt Service Requirements” shall mean, as of any date of calculation, an amount equal to the sum of the following for any period and with respect to all or any portion of the Bonds:

(a) Current interest scheduled to accrue during such period on such Bonds, except to the extent that provision for the payment of such interest has been made by (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest either from proceeds of Bonds, from interest earned or to be earned thereon, from other Authority funds other than Net Revenues, or from any combination of such sources and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a fund or account for capitalized interest, the proceeds of which are required to be transferred as needed into the Subordinate Lien Debt Service Fund, as the case may be, plus

(b) That portion of the principal amount of, or compounded interest on, such Bonds scheduled to be payable on or before the next January 1 (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Bond redemptions) which would accrue if such principal amount were deemed to accrue daily in equal amounts from the next preceding January 1; provided, however, that the following rules shall apply to the computation of Debt Service Requirements on certain series of Short Term/Demand Bonds and on any series of Bonds bearing interest at a floating or variable rate:

(1) For any series of Short Term/Demand Bonds issued pursuant to a commercial paper program or similar program, Debt Service Requirements shall be computed on the assumption that the principal amount shall continuously be refinanced under such program and remain outstanding until the first Fiscal Year for which interest on such Short Term/Demand Bonds has not been capitalized or otherwise funded or provided for, at which time (which shall not be beyond the term of such program) it shall be assumed that the outstanding principal amount thereof shall be refinanced with a series of Bonds which shall be assumed to be amortized over a period not to exceed 25 years and shall be assumed to be amortized in such a manner that the maximum Debt Service Requirements in any twelve month period shall not exceed 110% of the minimum Debt Service Requirements for any other 12-month period, and shall be assumed to bear interest at a fixed interest rate estimated by the Authority's financial advisor or underwriter to be the interest rate such series of Bonds would bear if issued on such terms on the date of such estimate;

(2) For any series of Bonds bearing interest at a variable or adjustable rate or a rate to be negotiated or revised from time to time such that the actual future rate of interest thereon cannot be ascertained at the time of calculation, it shall be assumed that such Bonds will bear interest at the higher of (1) a long-term interest rate estimated by the Authority's financial advisor or underwriter to be the average rate of interest such Bonds would bear if issued as long-term bonds bearing interest at fixed interest rates to be amortized over 30 years with level debt service or (2) a short-term interest rate calculated as follows: (a) for any series of Bonds then Outstanding, at the greater of (i) the average interest rate derived from the variable or adjustable interest rate formula or computation applicable to, or average interest rate borne by, such series of Bonds during a 12-month period ending within 30 days prior to the date of computation or (ii) the actual interest rate derived from such variable or adjustable interest rate formula or computation, or the actual interest rate payable on such series of Bonds, on the date of such calculation, and (b) for any series of Bonds then proposed to be issued, at an interest rate estimated by the Authority's financial advisor or underwriter to be the average rate of interest such series of Bonds will bear during the period or periods for which the Debt Service Requirements are being calculated.

Debt Service Requirements shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of scheduled principal maturities or scheduled mandatory redemptions of such Bonds, except as provided above for Short Term/Demand Bonds.

Obligations of the Authority to make payments under a Credit Agreement as reimbursements or repayments of amounts paid or advanced under such Credit Agreement for interest on or principal of any Bonds (including interest and other stipulated costs and charges related to such amounts advanced) shall be deemed to be payments of interest on or principal of such Bonds.

Qualified Hedge Agreements shall cause Debt Service Requirements to be (i) increased by the amount of any scheduled payments and charges for the availability of the Qualified Hedge Agreement, (ii) decreased by the amount of any scheduled interest payments on the related Bonds which the Authority's financial advisor certifies to be substantially hedged pursuant to the Qualified Hedge Agreement, and (iii) increased by the gross payments of the Authority under the Qualified Hedge Agreement (without regard to netting); provided, however, that any variable or adjustable payment obligation of the Authority under the Qualified Hedge Agreement shall be deemed to be a fixed rate obligation based upon the provisions contained in paragraph (ii) above of the definition of Debt Service Requirements, as certified by the Authority's financial advisor.

"Depository" shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking institution or association selected by the Authority as a depository of moneys and securities held under the provisions of the Indenture and the Act, and may include the Trustee.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Event of Default" shall mean an Event of Default as such term is defined in Section 902 of the Indenture.

"Fair Market Value" shall mean, as of any particular time: (a) as to Investment Securities the bid and asked prices of which are published on a regular basis in a financial journal or publication of general circulation in the United States of America, the bid price for such Investment Securities so published on or most recently prior to the date of valuation by the Trustee, or (b) as to Investment Securities the bid and asked prices of which are not published on a regular basis in a financial journal or publication of general circulation in the United States of America, the average bid price on such Investment Securities at the date of valuation by the Trustee, as reported to the Trustee by any two nationally recognized dealers in such Investment Securities.

"Fiduciary" or "Fiduciaries" shall mean the Trustee, the Paying Agents or any or all of them, as may be appropriate.

"Fiscal Year" shall mean a fiscal year as established by the Authority which is currently the 12-month period ending September 30, but which may be changed from time to time.

"Fort Bend Grand Parkway" means that portion of the Grand Parkway System located in Fort Bend County.

"Fund" or "Funds" shall mean anyone or more, as the case may be, of the separate special funds created and established in Section 502 of the Indenture.

"Generally Accepted Accounting Principles" shall mean, such accounting practice as, in the opinion of the Accountant, conforms at the time to generally accepted accounting principles.

“Grand Parkway Agreements” shall mean the Terms and Conditions effective September 29, 2008, and Market Valuation Waiver Agreement effective March 25, 2009. The Grand Parkway Agreements: i) establish the “Minimum Project Scope” and the “Ultimate Project Scope” of the Grand Parkway System within Fort Bend and other counties; ii) require the Grand Parkway be developed separate from the County’s existing toll road system; and iii) limits the use of toll revenues from the Grand Parkway to the development and maintenance of the Grand Parkway System until the Ultimate Project Scope is complete.

“Grand Parkway System” shall mean a planned system of controlled access toll lanes ranging from two to six lanes wide and 180 plus miles long traversing seven counties and encircling the Greater Houston Region, as more fully described in the Grand Parkway Agreements.

“Grand Parkway System Improvement Fund” shall mean the “Grand Parkway System Improvement Fund” created by Section 502 of the Indenture.

“Gross Revenues” shall mean Revenues prior to payment of Operating and Maintenance Expenses and funding the Operating and Maintenance Reserve.

“Indenture” shall mean this Trust Indenture as the same may be amended or supplemented from time to time by Supplemental Indentures in accordance with the terms hereof.

“Initial Bond” shall mean the Initial Bond authorized by Section 306(4) of the Indenture.

“Interest Payment Date” shall mean March 1, 2013 and each September 1 and March 1 thereafter, or as otherwise defined by a Supplemental Indenture.

“Investment Security” or “Investment Securities” shall mean and include anyone or more of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(a) Direct obligations of or obligations, directly or indirectly, guaranteed by the United States of America;

(b) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed, directly or indirectly, by any of the following: Bank: for Cooperatives; Federal Intermediate Credit Banks, Federal Home Loan Bank: System, Export-Import Bank of the United States, Federal Land Banks, Federal National Mortgage Association (to the extent guaranteed by the Government National Mortgage Association), Federal Home Loan Mortgage Corporation, Farmers' Home Administrator, Tennessee Valley Authority, Federal Farm Credit System, the Government National Mortgage Association, Of other successor or similar agencies;

(c) Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(d) Direct and general obligations of or obligations guaranteed by the State, the payment of the principal of and interest on which is a general obligation of the State;

(e) Demand deposits or interest-bearing time deposits, certificates of deposit or other similar banking arrangements, with the Trustee or a member of the Federal Deposit Insurance Corporation, or any savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, or any such institution having undivided capital and surplus of at least \$50,000,000, and if such time deposits or certificates of deposit, to the extent not insured to the full amount thereof, are fully secured by obligations of the type specified in (a), (b), (c) or (d) above or (h) below which have a Fair Market Value, at least equal at all times to the amount of such deposits;

(f) Repurchase Agreements with banks which are members of the Federal Deposit Insurance Corporation, and with members of the Association of Primary Dealers in United States Government Securities. the underlying securities of which are of the type described in (a) and (b) above and which are fully secured at all times by obligations of the same type which have a Fair Market Value, including accrued interest, at least equal to the amount of such Repurchase Agreement including accrued interest;

(g) Interest-bearing time deposits or Repurchase Agreements with agencies or intermediaries of the Federal Government described in (a) and (b) above;

(h) Direct and general obligations of any state within the territorial United States of America, provided that at the time of their purchase under the Indenture, such obligations are rated in one of the two highest letter rating categories by a nationally recognized bond rating agency;

(i) Certificates of Deposit of any bank including the Trustee with undivided capital and surplus of at least \$50,000,000, the unsecured debt of which or of its parent holding company is rated in one of the two highest letter rating categories by a nationally recognized bond rating agency, with such Certificates of Deposit to be secured by any other Investment Securities or by any security then acceptable to secure deposits of public funds of the State of Texas having a Fair Market Value at least equal to the amount of the Certificate of Deposit;

(j) Investment agreements with any bank including the Trustee with undivided capital and surplus of at least \$50,000,000 or bank holding company, the unsecured debt of which (or of a bank's parent holding company in the case of a bank if the unsecured debt of the bank is not rated) is rated in one of the two highest letter rating categories by a nationally recognized bond rating agency, with such investment agreement to be secured by any other Investment Securities described herein or by any security then acceptable to secure deposits of public funds of the State of Texas having a Fair Market Value at least equal to the amount of the Investment Agreement;

(k) Investment agreements with any bank or other financial institution, the unsecured debt of which is rated in either of the two highest letter rating categories by a nationally recognized bond rating agency; and

(l) Money market funds, including those of the Trustee and its affiliates, which are rated in either the two highest letter rating categories by a nationally recognized bond rating firm.

“Joint Project Agreement” means the Agreement between the County and the Authority dated as of July 24, 2012 relating to the construction of the Project and the issuance of the Bonds, as the same may be amended.

“Junior Lien Bonds” shall mean bonds or other indebtedness having the meaning set forth in Section 707 of the Indenture.

“Letter of Instructions” shall mean a written directive and authorization to the Trustee executed by an Authorized Officer of the Authority.

“Net Revenues” shall mean the Revenues less the sum of (i) the Operating and Maintenance Expenses and (ii) the aggregate of principal and interest payments made, or to be made, during the period for which Net Revenues are computed on Senior Indebtedness that is secured by a first charge on revenues, or such other amount as may be defined as “Net Revenues” by a Supplemental Indenture.

“Operating Board” shall mean the Board of Directors of the Authority acting as the operating board or any subsequent substitute operating board that may be appointed by the Commissioners Court in accordance with Chapter 284, Texas Transportation Code.

“Operating and Maintenance Expenses” shall mean the Authority's costs and expenses of maintenance, repair, operation and administration of the Project and shall include without limiting the generality of the foregoing: (i) salaries, supplies, utilities, labor, rent; (ii) fees and expenses for data processing, policing, insurance, legal, accounting, engineering, the Trustee, Depositories or Paying Agents, letters of credit and credit facilities, consulting and banking services; (iii) Costs of Issuance not paid as a Cost of the Project; and (iv) payments to pension, retirement, health and hospitalization funds.

“Operating and Maintenance Reserve” shall mean, as of any particular time of calculation, an amount of money to be retained in the Revenue Fund pursuant to Section 503 of the Indenture which is equal to three months of Operating and Maintenance Expenses, as set out in the Annual Budget.

“Outstanding” when used with reference to the Senior Indebtedness or Subordinate Lien Bonds, as the case may be, means, as of a particular date, all such bonds theretofore and thereupon delivered except: (a) any such bond cancelled by or on behalf of the Authority at or before said date; (b) any such bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such bond in lieu of or in substitution for which another bond shall have been delivered pursuant to the ordinance authorizing the issuance of such bond.

“Parity Contract Obligations” shall mean any of the following obligations of the Authority issued or incurred pursuant to the Indenture:

- (a) Parity Notes;
- (b) Any and all repayment, reimbursement or other obligations arising pursuant to any Credit Agreement; and,
- (c) Any and all payment obligations arising pursuant to any Qualified Hedge Agreements which may be netted against amounts, if any, due the Authority pursuant to such Qualified Hedge Agreements.

“Parity Notes” shall mean any note or notes, as the case may be, issued pursuant to a commercial paper program and authenticated and delivered under and pursuant to the Indenture, and secured by the Trust Estate.

“Paying Agent” shall mean any bank or trust company or national banking association designated to make payment of the principal of and interest on the Bonds of any Series, and its successor or successors, which may include the Trustee, hereafter appointed in the manner provided in the Indenture and meeting the requirements of Section 1013 of the Indenture.

“Permitted Encumbrances” shall mean

- (a) easements and rights of way on, over, across, or through any part of the Project;
- (b) inchoate claims and charges incidental to construction, maintenance, and operation of the Project;
- (c) contractual and property rights granted to or reserved by a party under any contract or instrument which the Authority is not prohibited from entering into under the Indenture;
- (d) minor defects and irregularities in the title to any property which is part of the Project, which do not impair the Authority's right to use such property for purposes of the Project; and
- (e) rights reserved to or vested in the State of Texas or any municipal corporation or political subdivision or agency within the State of Texas with regard to the property and facilities constituting the Project or with regard to the regulation of the use thereof.

“Person” shall mean any individual, public or private corporation, county, district, authority, municipality, political subdivision or other county or entity of the State or the United States of America, and any incorporated city, town or village, whether operating under general or special law or under its home rule charter, and any partnership, association, firm, trust, estate, or any other entity whatsoever.

“Principal Installment” shall mean as of any particular date of computation (a) with respect to Bonds of a particular Series, an amount of money equal to the aggregate of the principal amount of Outstanding Bonds of said Series which mature on a single future date or (b) with respect to Parity Notes, except to the extent actually paid from the Trust Estate (and not from the proceeds of other Parity Notes or Bonds issued for refunding or refinancing purposes), each Series shall be deemed to have Principal Installments in each of the 30 consecutive Fiscal Years

beginning in the Fiscal Year following the depletion of any amounts provided as capitalized interest for such Series of Parity Notes, which Principal Installments shall be in such amounts as shall be calculated by the Authority's financial advisor to achieve an approximately equal annual amortization of Debt Service on such Series of Parity Notes over such 30-year period.

“Principal Payment Date” shall mean each September 1 or other date as may be defined in a Supplemental Indenture.

“Project” initially shall mean the construction of the tolled overpasses on the Grand Parkway in Fort Bend County and the reconstruction of the existing roadway from U.S. 59 to and including the intersection at FM1093 (“Westpark”) and subsequently may include any other portion of or improvement to the Fort Bend Grand Parkway added to the definition of “Project” pursuant to a resolution or order of the Authority.

“Qualified Hedge Agreement” shall mean any agreement between the Authority and a qualifying financial institution (as described in the following sentence) for the purpose of providing an interest rate swap, exchange, cap, collar, floor, forward or other hedging mechanism, arrangement or security, however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on any portion of any Bonds and in consideration for which the Authority may agree to pay, (i) periodic payments for the availability of such Qualified Hedge Agreement and/or (ii) net amounts as a result of fluctuation in hedged interest rates or in the value of any index of payment and/or (iii) termination charges. A Qualified Hedge Agreement may only be entered into with a financial institution, which (a) for a transaction having a term of less than ten years, has long term credit ratings in one of the three highest generic rating categories by at least two nationally recognized rating services or (b) for a transaction having a term of ten years or longer, has at the time of entering into such transaction a long term credit ratings in one of the two highest generic rating categories by at least two nationally recognized rating services; provided, however, that such rating requirement may be satisfied by an affiliated entity of such financial institution or a third party with the requisite rating with whom the financial institution and/or the County have a contractual arrangement pursuant to which such affiliated entity or third party provides credit support for the Qualified Hedge Agreement. Further, obligations of the Authority to make payments under a Qualified Hedge Agreement derived from or resulting from a fluctuation in hedged interest rates or in the value of any index of payment shall be deemed to be payments of interest on the Bonds so hedged. Each Qualified Hedge Agreement shall be deemed to be a part of the Bonds of the series to which it relates for the purpose of securing its payment by the pledge of Net Revenues as provided in the Indenture. However, issuers of and counterparties to Qualified Hedge Agreements shall not be treated as Owners of Bonds for purposes of any voting rights to approve amendments or direct the exercise of any remedies under this Ordinance.

“Record Date” as used with respect to any Interest Payment Date shall mean the date designated in any Supplemental Indenture with respect to any of Bonds as the record date for the payment of interest on such Series or if no Record Date is so designated the 15th day of the month preceding such Interest Payment Date with respect to such Bonds.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

“Refunding Bonds” shall mean all Bonds, whether issued in one or more series, issued for the purpose of refunding a like or different principal amount of Bonds, and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III.

“Register” shall mean the register maintained by the Trustee which shows ownership of Bonds in accordance with Section 307 in the Indenture.

“Registered Owner” shall mean the person in whose name any Bond is registered.

“Revenue Fund” shall mean the “Revenue Fund” established in Section 502 of the Indenture.

“Revenues” shall mean all amounts derived by the Authority from the ownership and operation of the Fort Bend Grand Parkway which constitute revenues in accordance with generally accepted accounting principles.

“Senior Indebtedness Debt Service Fund” shall mean the fund so designated pursuant to the orders or indentures authorizing the Senior Indebtedness.

“Senior Indebtedness” shall mean (a) the principal of, premium, if any, and interest on (i) indebtedness (other than the Subordinate Lien Bonds) of the Authority for money borrowed for Project purposes evidenced by bonds, notes, warrants or similar obligations, including any obligation to make payments with respect to money borrowed by any other person for Project purposes whether any such indebtedness is outstanding on the date of the Indenture or is hereafter created, assumed or incurred, (ii) Capitalized Lease Obligations for Project purposes, whether outstanding on the date of the Indenture or hereafter incurred, and (iii) indebtedness incurred, or assumed by the Authority (whether outstanding on the date of the Indenture or hereafter created, assumed or incurred) for Project purposes, unless, in each case referred to in clauses (i), (ii) and (iii) above, by the terms of the instrument creating or evidencing the indebtedness it is provided that such indebtedness ranks on a parity with the Bonds and is entitled to like rights of subrogation, or is subordinated to, or is otherwise not superior in right of payment to, the Bonds, and (b) any other indebtedness (including Credit Agreements and Qualified Hedge Agreements), liability or obligation, contingent or otherwise, of the Authority for Project purposes (any such indebtedness, liability or obligation being hereinafter in this definition referred to as an “Obligation”), and any endorsement or other contingent obligation in respect of an Obligation of another for Project purposes, which is assumed or incurred by the Authority after the date of the Indenture and which, when assumed or incurred, is specifically designated by the Authority as Senior Indebtedness for the purposes hereof in the instrument creating or evidencing such Obligation or in the instrument creating or evidencing the Authority’s liability with respect to the Obligation of another, and (c) any refundings, renewals or extensions of any indebtedness, liability or obligation described in clauses (a) and (b) above. Senior Indebtedness shall not, however, include indebtedness incurred in connection with the purchase of materials or services in the ordinary course of business or indebtedness representing amounts recorded as accounts payable on the books of the Authority.

“Short Term/Demand Bonds” shall mean each series of bonds, notes and other obligations issued pursuant to the Indenture, (a) the payment of principal of which is either (i) payable on demand by or at the option of the holder at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term through the issuance of additional Short Term/Demand Bonds pursuant to a commercial paper or other similar financing program, and (b) the purchase price, payment or refinancing of which is additionally secured by a letter of credit, line of credit, standby purchase agreement, bond insurance, surety bond or other credit or liquidity facility which does not impose upon the Authority a reimbursement obligation payable over a period shorter than three years.

“State” shall mean the State of Texas.

“Subordinate Lien Bonds” shall mean the Limited Contract Tax and Subordinate Lien Revenue Bonds, Series 2012 and each series of Bonds which the Authority has reserved the right to issue from time to time, payable from and secured by a lien on and pledge of Net Revenues junior and subordinate to the lien and pledge securing the Senior Indebtedness.

“Subordinate Lien Debt Service Fund” shall mean the “Subordinate Lien Debt Service Fund” which is established pursuant to Section 502 of the Indenture.

“Supplemental Indenture” shall mean any Indenture supplemental to or amendatory of the Indenture, adopted by the Authority in accordance with Article XII.

“Tax Fund” shall mean the “Tax Fund” created by Section 502 of the Indenture.

“Traffic Engineers” shall mean the traffic engineer employed by the Authority and “Independent Traffic Engineer” shall mean an engineering firm or corporation retained by the Authority, pursuant to the provisions of the Indenture to carry out the duties imposed by the Indenture on the Traffic Engineer or the Independent Traffic Engineer.

“Trust Estate” shall mean the Trust Estate as defined in Section 201 of the Indenture. “Trustee” shall mean Wells Fargo Bank Texas, N.A. or any other commercial bank or trust company duly organized and existing under the laws of the United States of America which is authorized under such laws to exercise corporate trust powers, and is subject to examination by federal authority and shall be appointed pursuant to Article X, and its successor or successors and any other person which may at any time be substituted in its place pursuant to the Indenture.

APPENDIX F

SUMMARY OF THE INDENTURE

The Indenture, which includes the Master Indenture and the First Supplement thereto, contains various covenants and security provisions, certain of which are summarized below or elsewhere in this Official Statement. Provisions included herein are in substantially final form, but may change prior to closing and may thereafter be amended in accordance with the terms of the Indenture. Reference should be made to the Indenture, a copy of which may be obtained from the Authority, for a full and complete statement of its provisions. See also the section captioned "SECURITY AND SOURCE OF PAYMENT."

SECURITY OF THE BONDS

Granting Clauses

In order to secure the payment of the principal and Redemption Price of and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority does hereby grant to the Trustee and its successors in trust hereunder a pledge of and lien on the following (collectively, the "Trust Estate"):

(a) All right, title and interest of the Authority to taxes levied by the County pursuant to the provisions of Joint Project Agreement;

(b) All right, title and interest of the Authority now owned or hereafter acquired in and to the moneys deposited or required to be deposited in the funds established under the Indenture, including the Subordinate Lien Debt Service Fund, the Tax Fund, and, to the extent funded with Bond proceeds, the Construction Fund, the Revenue Fund, and the County Reimbursement Fund pursuant to the provisions of the Indenture and all right, title and interest in and to the Investment Securities held in the Indenture, the Subordinate Lien Debt Service Fund and the Tax Fund, pursuant to the provisions of the Indenture; provided, however, that the Authority expressly reserves the right to transfer any or all interest and investment income from Investment Securities held in the Subordinate Lien Debt Service Fund (other than amount attributable to capitalized interest on the Bonds) to other Funds or accounts and to grant a senior lien and pledge of such interest and investment income to secure Senior Indebtedness.

(c) Subject to and subordinate in all respects to any lien or pledge existing or hereafter created or granted with respect to Senior Indebtedness, all right, title and interest of the Authority in and to the Net Revenues to the extent of Revenues as collected;

(d) All right, title and interest of the Authority now owned or hereafter acquired in and to the moneys deposited or required to be deposited with the Trustee pursuant to the provisions of the Indenture and all right, title and interest in and to the Investment Securities held by the Trustee pursuant to the provisions of the Indenture;

(e) Subject to and subordinate in all respects to any lien or pledge existing or hereafter created or granted with respect to Senior Indebtedness, any and all property of every kind and nature (including, without limitation, cash, obligations or securities) which may from time to time hereafter be assigned, hypothecated, endorsed, pledged, granted, or delivered to or deposited with the Trustee as additional security hereunder by the Authority or anyone on its behalf, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which the Trustee is authorized to receive, hold and apply according to the terms hereof; and

TO HAVE AND TO HOLD all the same, with all rights and privileges appurtenant thereto, unto the Trustee and its successors in trust forever, subject, however, to all of the terms and provisions of the Indenture;

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit and security of the Owners from time to time of the Bonds issued and to be issued hereunder, or any of them, without preference, priority or distinction as to lien or otherwise of any Bond over any other Bond except as provided in the Indenture;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall well and truly pay, or cause to be paid, the principal or Redemption Price of the Bonds and the interest due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Funds and Accounts established hereunder and in the amounts required hereby, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee an amount sufficient to provide for payment of the entire amount due or to become due thereon as provided in the Indenture, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall payor cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then, upon such payment and performance, the Indenture and the rights and liens hereby granted shall cease, determine and be void; otherwise, the Indenture is to be and shall remain in full force and effect.

Time of Pledge; Delivery of Trust Estate

The grant, assignment and pledge of the Trust Estate pursuant to the provisions of the Indenture shall be effective from and after the payment for and delivery of any Bonds hereunder. Nothing in the Indenture shall create an obligation on the part of the Authority to physically deliver the Trust Estate to the Trustee except as expressly provided in the Indenture.

Payment of Contract Tax Revenues

The Bonds are secured by and payable from revenues paid to the Authority by the County pursuant to the levy of a continuing, direct annual ad valorem tax, within the limits provided by law, upon all taxable property within the County. To pay the interest on the Bonds, and to create a sinking fund for the payment of the principal thereof when due, and to pay the expenses of payment and registration of such Bonds and the cost of collecting such taxes, the County by order adopted on July 24, 2012, levied, and ordered to be assessed and collected in due time, form and manner, a continuing, direct annual ad valorem tax, within the limits provided by law, on all taxable property in the County for each year during the period that there are Outstanding Bonds. All of the proceeds of such collections, except expenses incurred in that collection, shall be paid by the County into the Tax Fund pursuant to the Joint Project Agreement, and the aforementioned tax and such payments into the Tax Fund shall continue until the Bonds and the interest thereon have been fully paid and discharged as required by the Joint Project Agreement, and such proceeds shall be used for such purposes and no other.

The Joint Project Agreement provides that while there are Outstanding Bonds, the County shall levy, assess and collect an ad valorem tax each year at a rate from year to year as will be sufficient to provide (together with other moneys available or anticipated to be available therefore, including available Net Revenues and amounts available from Bond proceeds) funds to pay the interest on said Bonds and to create and provide a sinking fund to pay the principal when due or of not less than 2% of the principal amount of the Bonds, full allowance being made for delinquencies and costs of collection, and the County shall deposit such taxes into the Authority's Tax Account to be applied to the payment of the principal and Redemption Price of and interest on the Bonds, as follows:

(a) On or before August 1 of each year, the Authority shall report to the County its current fund balances as well as a budget reflecting the anticipated Net Revenues of the project for the upcoming fiscal year.

(b) On or before September 1st in each year or as soon after that time as practicable, the Commissioners Court shall consider the taxable property in the County and determine the actual rate per \$100 valuation of taxable property which is to be levied in that year for the payment of the principal due and Redemption Price of and interest on the Subordinate Lien Bonds and levy and tax against all taxable property in the County.

(c) In determining the actual rate to be levied in each year, the Commissioners Court shall consider among other things:

(1) the amount which should be levied for the payment of the principal and Redemption Price of and interest on the Bonds; and

(2) the percentage of anticipated tax collections and the cost of collecting the taxes.

(d) In determining the rate at which taxes should be levied each year, the Commissioners Court may consider whether proceeds from the sale of Bonds have been placed in the Subordinate Lien Debt Service Fund to pay interest on the Bonds and whether the Commissioners Court reasonably expects to have Net Revenues or other moneys available from other sources which are available to pay the principal or Redemption Price of or interest on the Bonds. Under the terms of the Joint Project Agreement, if the Commissioners Court reasonably determines that adequate moneys from such Net Revenue or other sources are available or will be available to pay principal of and Redemption Price of and interest on the Bonds, the Commissioners Court may elect not to levy a tax that year.

(e) The Authority agrees and covenants that it will not request, consider or approve any amendment to the Joint Project Agreement that would reduce or eliminate the County's obligation to levy, assess and collect taxes.

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Establishment of Funds

The following Funds shall be created, maintained and accounted for as hereinafter provided so long as Subordinate Lien Bonds remain Outstanding:

- (1) Construction Fund;
- (2) Tax Fund;
- (3) Revenue Fund;
- (4) Subordinate Lien Debt Service Fund;
- (5) Renewal and Replacement Fund;
- (6) County Reimbursement Fund;
- (7) Grand Parkway System Improvement Fund;

The Construction Fund, the Tax Fund, the Revenue Fund, the Renewal and Replacement Fund, the County Reimbursement Fund, and the Grand Parkway System Improvement Fund shall be maintained as separate funds or accounts on the books of the County pursuant to the Joint Project Agreement and all amounts credited to such Funds shall be maintained in an official depository bank of the Authority or in a trustee bank hereafter designated by the Authority. The Subordinate Lien Debt Service Fund shall be maintained with the Trustee. The Subordinate Lien Debt Service Fund shall constitute a trust fund which shall be held in trust for the Owners of the Subordinate Lien Bonds and the proceeds of which (other than the interest income thereon, which shall be transferred to the extent herein provided to the Revenue Fund) shall be pledged to the payment of the Subordinate Lien Bonds. All of the Funds named above shall be used solely as herein provided so long as any Bonds remain Outstanding.

Money and Investment Securities to the credit of the Funds and accounts created in the Indenture which are held by the Authority may be commingled with other money and investments of the Authority, so long as the interest of each of the Funds and accounts created in the Indenture is specifically identified in the Authority's accounting records and so long as amounts and investments to the credit of each Fund or Account are available at the time and in the manner required by the Indenture or any Supplemental Indenture.

Flow of Funds

Except as otherwise specifically provided in this Article V, all Revenues shall be credited to the Revenue Fund as collected in the following priority:

(a) First to make or provide for all deposits, payments or transfers required by any indenture, resolution, order or other instrument creating or evidencing Senior Indebtedness payable as a first charge on Revenues, at the time and in the manner provided for in such instrument.

(b) After the payments, provisions for payment, deposits and transfers set out in subsection (a) above, to the extent not paid from other sources, Operating and Maintenance Expenses for such month shall be paid from the Revenue Fund.

(c) After the payments and provisions for payment set out in subsection (b) above, on or before the last day of each month there shall be set aside, out of money held in the Revenue Fund, the amount, if any, required to establish and maintain the Operating and Maintenance Reserve.

(d) After the payments and provisions for payments set out in subsection (c) above, money remaining in the Revenue Fund shall be used to make or provide for all deposits, payments or transfers required by any indenture, resolution, order or other instrument creating or evidencing Senior Indebtedness which is not payable as a first charge on Revenues, at the time and in the manner provided for in such an instrument.

(e) After the payments, provisions, for payment, deposits and transfers set out in subsections above, on or before the last day of each month and at such other times as shall be set forth in any Supplemental Indenture, there shall be transferred to the Subordinate Lien Debt Service Fund from any money remaining in the Revenue Fund, amounts which, when added to other amounts in the Subordinate Lien Debt Service Fund including amounts deposited from the Tax Fund, and available for such purposes, will provide for the accumulation, in substantially equal monthly installments or otherwise as may be provided in any Supplemental Indenture, of the amounts required to pay:

(1) any interest to become due and payable on each Series of Subordinate Lien Bonds Outstanding on the next Interest Payment Date for such series; and

(2) any Principal Installments to become due and payable on any Series of Subordinate Lien Bonds Outstanding on or before the next Principal Payment Date; and

(3) if provided in any Supplemental Indenture, to establish and maintain a subordinate lien debt service reserve fund or to pay any amounts required to be paid to any bank, financial institution or other party in connection with a Credit Agreement or Qualified Hedge Agreement.

(f) After the payments and provisions for payments set out in subsection (e) above, money remaining in the Revenue Fund shall be used to make or provide for all deposits, payments or transfers required by any indenture, resolution, order or other instrument creating or evidencing Junior Lien Bonds which is not payable as a first charge on Revenues, at the time and in the manner provided for in such an instrument.

(g) After the payments, provisions for payment, deposits and transfers set out in the subsections above, and if so provided in any Supplemental Indenture or indenture evidencing Senior Indebtedness, there shall be set aside the amount required to be set aside for the renewal and replacement of the Fort Bend Grand Parkway.

(h) After all payments, provisions for payment, deposits and transfers set out above in subsection (g), there shall be transferred from the Revenue Fund to the County Reimbursement Fund the amount necessary to make the balance therein equal to the County Reimbursement Obligation; provided, however, no money shall be transferred to the County Reimbursement Fund until such time as the Net Revenues of the Project exceed the Debt Service Requirement for two consecutive Fiscal Years.

(i) After all payments, provisions for payment, deposits and transfers set out above in the Flow of Funds described above any money remaining in the Revenue Fund shall be transferred to the Grand Parkway System Improvement Fund.

Construction Fund

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Indenture and each Supplemental Indenture, including all proceeds of the Bonds remaining after making the deposits otherwise required under the Indenture and each Supplemental Indenture. There may also be paid into the Construction Fund, at the option of the Authority, any moneys received by the Authority from any source unless otherwise required to be applied by the Indenture or any Supplemental Indenture.

Amounts in the Construction Fund and interest earnings thereon shall be used to pay: (i) the Costs of the Project including the Cost of any project or projects with which the Project is proposed to be pooled, (ii) the Costs of Issuance, and (iii) Operating and Maintenance Expenses and interest on the Bonds as permitted in the Act.

Amounts in the Construction Fund may be (i) used to pay Costs of the Fort Bend Grand Parkway, (ii) used to pay Costs of the Grand Parkway System, or (iii) be transferred to the Subordinate Lien Debt Service Fund for the Bonds or to any similar debt service fund for and other Senior Indebtedness or Parity Contract Obligation, and applied to the payment of principal or Redemption Price of and interest on the Bonds or other Grand Parkway System bonds when due.

Tax Fund

If the County has levied a tax pursuant to the Joint Project Agreement, upon payment of the taxes to the Authority, the Authority shall transfer all amounts then on deposit in the Tax Fund to the Subordinate Lien Debt Service Fund.

Moneys in the Tax Fund shall be used solely to pay the principal or Redemption Price of and interest on the Bonds.

Subordinate Lien Debt Service Fund

Funds in the Subordinate Lien Debt Service Fund may only be used to pay the principal of and interest on the Bonds except as set forth below.

The Trustee shall, at any time at the direction of the Authority, apply amounts available in the Subordinate Lien Debt Service Fund to pay the principal portion of Bonds which the Authority may purchase at a price (excluding accrued interest to the purchase date but including any brokerage or other charges) no greater than the applicable Redemption Price of such Bonds.

Whenever the total amounts on deposit to the credit of the Subordinate Lien Debt Service Fund shall be equivalent to the sum of the aggregate principal amount of all Outstanding Subordinate Lien Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further transfers need be made into the Subordinate Lien Debt Service Fund, and such Subordinate Lien Bonds shall not be regarded as being Outstanding except for the purpose of being paid with the moneys credited to such Funds. Moneys credited to the Subordinate Lien Debt Service Fund shall be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Subordinate Lien Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on the Subordinate Lien Bonds, plus all bank charges and other costs and expenses relating to such payment.

If on any Interest Payment Date or on any other date, the funds on deposit in the Subordinate Lien Debt Service Fund are insufficient to pay the Debt Service Requirements, the Authority may transfer, at its discretion, from the Tax Fund, the County Reimbursement Fund, Grand Parkway System Improvement Fund, or any other lawfully available source, to the amount sufficient to pay such Debt Service Requirements or a portion thereof.

Revenue Fund – Operation and Maintenance Expenses

If in any month funds on deposit in the Revenue Fund are insufficient to pay the Operation and Maintenance Expenses, the Authority shall transfer at its discretion, from the Tax Fund, the County Reimbursement Fund, Grand Parkway System Improvement Fund, or any other lawfully available source, to the Revenue Fund the amount sufficient to pay such Operation and Maintenance Expenses.

County Reimbursement Fund

On the last business day of the Fiscal Year, there shall be transferred to the County all amounts deposited in the County Reimbursement Fund. The County may use such funds for any lawful purpose for which toll revenues may be expended.

Grand Parkway System Improvement Fund

Amounts credited to the Grand Parkway System Improvement Fund may be used only for: 1) Costs of the Fort Bend Grand Parkway, including without limitation, to pay debt service on the Subordinate Lien Bonds or Senior Indebtedness, to pay for any capital expenditures, to pay costs of replacing any depreciable property or equipment of the Fort Bend Grand Parkway, to make any major or extraordinary repairs, replacements or renewals of the Fort Bend Grand Parkway, to acquire land or any interest therein, to pay any lease or contractual obligations not paid as Operation and Maintenance Expenses, and to make any transfers required to cure any deficiencies in the funds and accounts created by the Indenture, 2) Costs of any other portion of the Grand Parkway System as may be required by the Grand Parkway Agreements, and 3) thereafter to pay capital costs, including without limitation, engineering, land acquisition, and construction for any project on the County's major thoroughfare plan.

The County may create, within the Grand Parkway System Improvement Fund, additional sub-accounts and funds, including a Capital Outlay Account. All such sub-accounts and funds may be established and used for the purposes of the Grand Parkway System Improvement Fund as provided in the foregoing paragraph.

Funds in the Grand Parkway System Improvement Fund shall not be used for any purpose not stated herein.

Deficiencies in Funds

If in any month there shall not be transferred into any Fund maintained pursuant to this Article the full amounts required herein, amounts equivalent to such deficiency shall be set apart and transferred to such Fund or Funds from the first available and unallocated moneys in the Revenue Fund, and such transfer shall be in addition to the amounts otherwise required to be transferred to such Funds during any succeeding month or months.

OTHER OBLIGATIONS

Senior Indebtedness

The Authority reserves the right, without the consent of the Trustee or the Owners of the Bonds, to issue unlimited amounts of Senior Indebtedness which may be secured by a pledge or lien on Revenues and other assets of the Authority prior to the pledge and lien of the Trust Estate securing the Bonds. No action may be taken by the Authority which will diminish in any way the obligation of the County to levy taxes as required by the Joint Project Agreement to pay the principal of or interest on the Bonds or grant any lien thereon or claim thereto which is prior to the pledge and lien of the Trust Estate securing the Bonds.

Additional Subordinate Lien Bonds

The Authority reserves the right to issue, for any lawful purpose (including the refunding of any Senior Indebtedness, Subordinate Lien Bonds, Junior Lien Bonds or other obligations payable from the Trust Estate) one or more series of Additional Bonds payable from and secured by a lien on the Trust Estate; provided, however, that no Additional Subordinate Lien Bonds may be issued unless:

(a) The Authority President or Authority Auditor certifies to the Trustee that no Event of Default has occurred and is continuing for which notice has been given in accordance with Section 903 of the Indenture;

(b) The Authority President certifies that the Additional Subordinate Lien Bonds are required for a purpose relating to the Project or other portions of the Grand Parkway System as the Authority may determine or for refunding bonds, notes, or other obligations issued in connection therewith;

(c) The Subordinate Lien Debt Service Fund contains, or upon the issuance of the Additional Subordinate Lien Bonds will contain, the amount of money required to be on deposit therein;

(d) Provision is made by supplementing the Indenture to provide for additional payments into the Debt Service Account sufficient to provide for any increased principal, interest and other payment requirements on the Subordinate Lien Bonds resulting from the issuance of the Additional Subordinate Lien Bonds.

Parity Notes

The Authority reserves the right to issue Parity Notes, for any lawful purpose for which it may issue Subordinate Lien Bonds payable from and secured by the Trust Estate; provided, however, that no Parity Notes may be issued unless:

(a) Each of the requirements (a) through (d) contained in the subsection “Additional Subordinate Lien Bonds” above has been satisfied after substituting references to Parity Notes in place of references to Additional Subordinate Lien Bonds in (b) through (d); and

(b) The payment of principal of and interest on the Parity Notes is guaranteed by or comparably secured by a Credit Agreement.

Parity Credit Agreements

To the extent permitted by law, the Authority reserves the right to enter into Credit Agreements for the purpose of contracting with financial institutions or other third parties to issue letters of credit, insurance policies, surety bonds, guarantees or other instruments to further secure Subordinate Lien Bonds, Parity Notes, Parity Contract Obligations and Parity Qualified Hedge Agreements. The Authority may enter into Credit Agreements for such purpose and secure its obligations under such Credit Agreements, including its obligations to repay and reimburse the issuers of such Credit Agreements for any advances or payments that they make, by the Trust Estate; provided, however, that the Authority shall not enter into any Credit Agreement unless:

(a) The Authority President or Authority Auditor certifies in writing that the acquisition and entering such Credit Agreement will reduce the overall costs to the Authority with respect to the Subordinate Lien Bonds, Parity Notes, Parity Contract Bonds or Qualified Hedge Agreements to be secured by such Credit Agreement; and

(b) The Credit Agreement and all contracts and proceedings related thereto are approved by the Attorney General of Texas to the extent required by law.

Parity Contract Obligations

To the extent permitted by law, the Authority reserves the right to incur Parity Contract Obligations for any lawful purpose for which it may issue Subordinate Lien Bonds and Parity Notes payable from and secured by the Trust Estate; provided, however, that no Parity Contract Obligations may be incurred unless:

(a) Each of the requirements (a) through (d) contained in the subsection “Additional Subordinate Lien Bonds” above has been satisfied after substituting references to the Parity Contract Obligation in place of references to Additional Subordinate Lien Bonds in (b) through (d); and

(b) The Parity Contract Obligation and all procedures related thereto are approved by the Attorney General of Texas to the extent required by law.

Qualified Hedge Agreements

To the extent permitted by law, including without limitation and to the extent applicable Chapter 1201, Texas Government Code, as amended, the Authority reserves the right to issue and incur for any lawful purpose in connection with the issuance of other Subordinate Lien Bonds, Parity Notes or Parity Contract Obligations, one or more Qualified Hedge Agreements, subject to compliance with the following requirements:

(a) Each Qualified Hedge Agreement, together with all proceedings and agreements relating thereto, shall be submitted to and approved by the Attorney General of Texas to the extent required by law;

(b) Each rating agency then rating any of the Subordinate Lien Bonds, Parity Notes or Parity Contract Obligations shall have certified that entering into such Qualified Hedge Agreement will not, in and of itself, cause a reduction or withdrawal of any rating then assigned to any Subordinate Lien Bonds, Parity Notes or Parity Contract Obligations; and

(c) Each of the certifications required in Subsections (a) and (d) contained in the subsection "Additional Subordinate Lien Bonds" above has been satisfied after substituting references to the Parity Hedge Agreement in place of references to Additional Subordinate Lien Bonds in (b) through (d), taking into account any increase in Average Annual Debt Service Requirements as a result of entering into such Qualified Hedge Agreement.

Junior Lien Bonds

The Authority reserves the right to issue or incur, for any lawful purpose, Junior Lien Bonds which shall mean bonds or other indebtedness secured by junior and subordinate liens to the Subordinate Lien Bonds.

Short Term/Demand Bonds

The Authority reserves the right to issue, from time to time, one or more series of Subordinate Lien Bonds as "Short Term/Demand Bonds" provided that the aggregate principal amount of Short Term/Demand Bonds Outstanding at any time may not exceed 30% of the aggregate principal amount of Subordinate Lien Bonds Outstanding at the time of issuance of the last series of Short Term/Demand Bonds; provided, however, that no such Short Term/Demand Bonds may be issued without satisfying the applicable provisions of the subsection "Additional Subordinate Lien Bonds" above; provided further, however, that no Short Term/Demand Bond shall be subject to the limitations as to maximum principal amount as set forth above during any period of time that the Authority's financial advisor certifies that the Authority's variable or adjustable interest rate exposure under such Short Term/Demand Bond is substantially hedged pursuant to a Qualified Hedge Agreement pursuant to which the maximum net rate of interest that the Authority is obligated to pay (after taking into account all payments to be made by such counter-party) does not exceed the interest rate certified with respect to such Short Term/Demand Bonds by such financial advisor pursuant to paragraph (ii) clause (1) of the definition of Debt Service Requirements.

APPENDIX G

OPINION OF BOND COUNSEL

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August 22, 2012*

We have acted as Bond Counsel to the Fort Bend Grand Parkway Toll Road Authority (the "Issuer") in connection with the issuance and sale of the Issuer's Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012, in the aggregate principal amount of \$179,825,000* (the "Bonds") pursuant to the terms of a Trust Indenture dated as of July 1, 2012, and as supplemented by a First Supplemental Indenture of Trust dated as of July 1, 2012, (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association (the "Trustee"), a Bond Resolution, dated as of July 24, 2012 (the "Resolution") and an Order of Fort Bend County, Texas, dated as of July 24, 2012 (the "County Order"). Except as otherwise indicated, terms defined in the Indenture are used in this opinion with the meanings assigned to them in the Indenture.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript containing certified copies of certain proceedings of the Board of Directors of the Issuer, and certain certificates and other documents of representatives of the Fort Bend County, Texas (the "County"), the Issuer, the Trustee, and of others. We have relied upon those certificates as to certain factual matters which we have not independently verified. We have also examined such portions of the Constitution and statutes of the State of Texas, and such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, regulations and published rulings of the Internal Revenue Service, as we have deemed necessary for the purposes of this opinion.

Reference is made to an opinion of even date of the County Attorney of the County with respect to, among other matters, the authority of the County to enter into and perform its obligations under the Joint Project Agreement and its authorization, execution, delivery, binding effect and enforceability by and upon the County.

Based on the foregoing, and subject to the matters set forth below, we are of the opinion that:

1. The Issuer is duly created and validly existing as a Texas nonprofit local government corporation acting on behalf of the County created pursuant to Chapter 431, Texas Transportation Code, and has the corporate power to adopt the Resolution, enter into and perform the obligations under the Indenture and the Joint Project Agreement, and issue the Bonds. The transcript of proceedings evidences complete

*Preliminary, subject to change

legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State of Texas presently effective.

2. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective, the Indenture creates the valid pledge of and lien on the Trust Estate that the Indenture purports to create, subject only to the provisions of the Indenture permitting the application of the Trust Estate for the purpose and on the terms and conditions set forth in the Indenture and that therefore the Bonds are valid and legally binding obligations of the Issuer.

3. Taxable property within the County is subject to the levy of ad valorem taxes by the County, within the legal limit as to rate, to pay the Authority an amount equal to the principal and interest on the Bonds pursuant to the terms of the Joint Project Agreement dated as July 24, 2012 and the County Order.

4. The Indenture and Resolution have been duly authorized by the Issuer, have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer. By the terms of the Indenture, all of the Issuer's right, title and interest in and to the Revenue Fund and the amounts required from time to time to be deposited in or credited to the account of the Subordinate Lien Debt Service Fund and the Tax Fund created pursuant to the Indenture, together with any investments and reinvestments thereof, have been assigned to the Trustee.

5. The Bonds are limited obligations solely of the Issuer and are not general obligations of the Issuer, the State of Texas, Fort Bend County, or any other entity. The Issuer has no authority to levy taxes.

We have examined executed Bond numbered AG-1. In our opinion, the form of said Bond and its execution is regular and proper.

IT IS OUR FURTHER OPINION that:

1. Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.

2. Interest on the Bonds is not includable in the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the County, the Issuer's financial advisor, and the Underwriters with respect to matters solely within the knowledge of the Issuer, the County, the Issuer's financial advisor, and

the Underwriters which we have not independently verified, and have assumed continuing compliance with the covenants in the Indenture and Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of, interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance and life insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions further are based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Resolutions not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.