

Central Texas Regional Mobility Authority
Income Statement
For the Period Ending December 31, 2022

	Budget Amount FY 2023	Actual Year to Date	Percent of Budget	Actual Prior Year to Date
REVENUE				
Operating Revenue				
Toll Revenue Kansas 183A	61,100	40,865	66.88%	27,973
Toll Revenue Oklahoma 183A	145,500	78,954	54.26%	76,600
Toll Revenue-TxTag-183A	39,337,900	22,219,434	56.48%	20,274,126
Toll Revenue-HCTRA-183A	5,818,000	3,325,096	57.15%	2,871,740
Toll Revenue-NTTA-183A	4,294,300	2,808,059	65.39%	2,017,263
Toll Revenue-TxTag-MoPac ML	5,304,300	3,508,626	66.15%	2,611,013
Toll Revenue-Kansas MoPAC ML	6,300	8,681	137.80%	2,650
Toll Revenue Oklahoma MoPac ML	16,400	10,839	66.09%	7,913
Toll Revenue-HCTRA MoPac ML	765,100	520,301	68.00%	350,396
Toll Revenue-NTTA-Mopac ML	749,000	557,056	74.37%	338,778
Toll Revenue-TxTag-Manor	14,900,400	8,274,621	55.53%	7,270,203
Toll Revenue-Kansas Manor	56,100	31,319	55.83%	20,397
Toll Revenue Oklahoma Manor	101,500	59,452	58.57%	52,358
Toll Revenue-HCTRA Manor	4,862,000	2,781,507	57.21%	2,294,166
Toll Revenue-NTTA-Manor	1,888,000	1,194,095	63.25%	845,010
Toll Revenue-TxTag-71E	4,153,500	2,432,075	58.55%	2,247,803
Toll Revenue-Kansas 71E	14,100	7,465	52.94%	6,194
Toll Revenue Oklahoma 71E	29,500	19,371	65.67%	17,233
Toll Revenue-HCTRA 71E	2,076,300	1,197,533	57.68%	1,086,151
Toll Revenue-NTTA-71E	574,800	378,328	65.82%	279,244
Toll Revenue TxTAG 45SW	3,497,400	2,062,142	58.96%	1,747,903
Toll Revenue Kansas 45SW	3,400	2,901	85.33%	1,472
Toll Revenue Oklahoma 45SW	7,400	4,128	55.78%	3,800
Toll Revenue HCTRA 45SW	445,500	255,732	57.40%	212,016
Toll Revenue NTTA 45SW	314,300	213,409	67.90%	144,335
Toll Revenue TxTAG 183S	21,566,600	12,711,751	58.94%	10,009,513
Toll Revenue Kansas 183S	53,400	37,358	69.96%	21,407
Toll Revenue Oklahoma 183S	130,500	99,201	76.02%	64,978
Toll Revenue HCTRA 183S	5,491,800	3,427,527	62.41%	2,369,293
Toll Revenue NTTA 183S	2,946,400	1,955,412	66.37%	1,226,615
Video Tolls 183A	18,165,900	12,129,379	66.77%	8,435,260
Video Tolls Manor Expressway	8,678,700	5,462,251	62.94%	3,735,756
Video Tolls MoPac ML	2,381,300	1,950,970	81.93%	1,040,120
Video Tolls 71E	2,726,100	1,855,544	68.07%	1,290,940
Video Tolls 183S	13,036,800	9,286,004	71.23%	5,245,087
Video Tolls 45SW	1,754,500	1,269,075	72.33%	759,500

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Fee Revenue 183A	4,285,200	1,793,055	41.84%	2,233,370
Fee Revenue Manor Expressway	3,291,500	1,340,766	40.73%	1,605,437
Fee Revenue MoPac ML	477,600	195,867	41.01%	250,233
Fee Revenue 71E	884,700	366,231	41.40%	470,387
Fee Revenue 183S	4,472,300	1,929,392	43.14%	2,007,789
Fee Revenue 45SW	434,600	178,918	41.17%	198,381
Total Operating Revenue	180,200,000	107,980,687.79	59.92%	85,770,802
Other Revenue				
Interest Income	3,190,301	12,005,867	376.32%	707,828
Grant Revenue	1,359,833	267,971	19.71%	350,649
Misc Revenue	130,000	15,727	12.10%	129,755
Gain/Loss on Sale of Asset	-	-	-	6,568
Total Other Revenue	4,680,134	12,289,565	262.59%	1,194,800
TOTAL REVENUE	\$184,880,134	\$120,270,253	65.05%	86,965,603
EXPENSES				
Salaries and Benefits				
Salary Expense-Regular	4,621,321	1,803,604	39.03%	1,925,707
Salary Reserve	80,000	-	-	-
TCDRS	1,046,269	558,108	53.34%	394,939
FICA	232,304	69,804	30.05%	81,898
FICA MED	67,009	26,378	39.36%	28,154
Health Insurance Expense	580,271	199,937	34.46%	200,841
Life Insurance Expense	5,972	2,452	41.06%	3,048
Auto Allowance Expense	10,200	4,463	43.75%	4,675
Other Benefits	126,590	30,169	23.83%	61,257
Unemployment Taxes	4,608	(1,790)	-38.84%	4,097
Total Salaries and Benefits	6,774,544	2,693,125	39.75%	2,704,614

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Administrative				
Administrative and Office Expenses				
Accounting	9,500	3,904	41.09%	4,102
Auditing	190,000	138,655	72.98%	100,975
Financial Advisors	108,000	82,800	76.67%	12,600
Human Resources	30,000	49,669	165.56%	14,393
Legal	70,000	17,700	25.29%	-
IT Services	350,000	259,836	74.24%	58,363
Internet	150	-	-	-
Software Licenses	557,500	348,019	62.42%	207,399
Cell Phones	24,200	7,693	31.79%	9,947
Local Telephone Service	10,000	48,220	482.20%	44,480
Overnight Delivery Services	250	40	16.06%	57
Copy Machine	15,500	7,632	49.24%	6,360
Repair & Maintenance-General	8,000	-	-	2,273
Meeting Expense	12,750	5,188	40.69%	348
Toll Tag Expense	3,000	200	6.67%	660
Parking / Local Ride Share	2,800	444	15.84%	-
Mileage Reimbursement	3,950	644	16.31%	76
Insurance Expense	651,250	275,619	42.32%	282,463
Rent Expense	731,203	352,421	48.20%	270,859
Building Parking	3,500	798	22.80%	229
Legal Services	443,000	133,354	30.10%	175,094
Total Administrative and Office Expenses	3,224,553	1,732,835	53.74%	1,190,677
Office Supplies				
Books & Publications	3,250	1,048	32.24%	1,797
Office Supplies	7,750	1,498	19.33%	798
Misc Office Equipment	4,500	8,470	188.21%	732
Computer Supplies	221,950	190,781	85.96%	19,983
Other Reports-Printing	5,000	-	-	-
Office Supplies-Printed	3,100	1,041	33.58%	171
Postage Expense	550	244	44.40%	288
Total Office Supplies	246,100	203,082	82.52%	23,770

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Communications and Public Relations				
Graphic Design Services	75,000	-	-	-
Website Maintenance	111,500	30,825	27.65%	25,551
Research Services	140,000	-	-	10,109
Communications and Marketing	400,000	-	-	12,827
Advertising Expense	500,000	101,595	20.32%	116,628
Direct Mail	65,000	-	-	-
Video Production	82,500	29,097	35.27%	8,820
Photography	25,000	11,535	46.14%	199
Radio	50,000	-	-	-
Other Public Relations	2,500	-	-	-
Promotional Items	520,000	12,682	2.44%	-
Annual Report printing	1,500	-	-	780
Direct Mail Printing	26,000	-	-	-
Other Communication Expenses	15,000	18,648	124.32%	11,880
Total Communications and Public Relations	2,014,000	204,382	10.15%	186,793
Employee Development				
Subscriptions	50,700	1,153	2.27%	123
Agency Memberships	78,550	17,185	21.88%	35,560
Continuing Education	4,800	650	13.54%	334
Professional Development	19,150	4,245	22.17%	-
Other Licenses	1,900	537	28.25%	514
Seminars and Conferences	118,500	42,098	35.53%	1,735
Travel	93,500	2,105	2.25%	8,567
Total Employee Development	367,100	67,973	18.52%	46,833
Financing and Banking Fees				
Trustee Fees	60,000	43,000	71.67%	34,038
Bank Fee Expense	3,240	554	17.10%	1,796
Continuing Disclosure	7,000	1,918	27.39%	-
Arbitrage Rebate Calculation	15,000	16,300	108.67%	12,905
Rating Agency Expense	50,000	43,000	86.00%	12,000
Total Financing and Banking Fees	135,240	104,771	77.47%	60,739
Total Administrative	5,986,993	2,313,044	38.63%	1,508,811

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Operations and Maintenance				
Operations and Maintenance Consulting				
GEC-Trust Indenture Support	763,997	392,607	51.39%	306,196
GEC-Financial Planning Support	275,000	131,652	47.87%	95,510
GEC-Toll Ops Support	2,550,000	355,290	13.93%	398,333
GEC-Roadway Ops Support	1,411,139	502,754	35.63%	320,984
GEC-Technology Support	654,369	207,411	31.70%	294,764
GEC-Public Information Support	200,000	75,967	37.98%	100,156
GEC-General Support	1,360,000	352,013	25.88%	445,928
General System Consultant	1,159,640	482,017	41.57%	515,175
Traffic Modeling	150,000	-	-	21,158
Traffic and Revenue Consultant	500,000	411,863	82.37%	243,240
Total Operations and Maintenance Consulting	9,024,145	2,911,574	32.26%	2,741,443
Roadway Operations and Maintenance				
Roadway Maintenance	1,868,052	2,391,621	128.03%	622,302
Landscape Maintenance	2,949,320	2,530,597	85.80%	599,268
Maintenance Supplies-Roadway	300,000	-	-	47,497
Tools & Equipment Expense	25,000	444	1.78%	105
Gasoline	30,000	9,599	32.00%	7,567
Repair & Maintenance - Vehicles	10,000	1,042	10.42%	(3,269)
Natural Gas	2,500	2,821	112.86%	2,530
Electricity - Roadways	250,000	141,566	56.63%	91,407
Total Roadway Operations and Maintenance	5,434,872	5,077,691	93.43%	1,367,407
Toll Processing and Collection Expense				
Image Processing	4,208,340	1,653,669	39.30%	1,912,849
Tag Collection Fees	8,453,846	4,945,798	58.50%	4,297,993
Court Enforcement Costs	10,000	-	-	-
DMV Lookup Fees	200	-	-	-
Total Processing and Collection Expense	12,672,387	6,599,467	52.08%	6,210,842

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Toll Operations Expense				
Generator Fuel	3,000	853	28.44%	-
Fire and Burglar Alarm	500	247	49.34%	247
Refuse	2,180	1,122	51.45%	823
Telecommunications	-	1,120	-	-
Water - Irrigation	7,500	4,416	58.88%	3,158
Electricity	500	374	74.73%	310
ETC spare parts expense	200,000	-	-	(33,850)
Repair & Maintenance Toll Equip	50,000	65,966	131.93%	5,197
Law Enforcement	500,000	200,684	40.14%	174,803
ETC Maintenance Contract	6,000,000	2,718,261	45.30%	43,900
Transaction Processing Maintenance Contract	1,500,000	-	-	-
ETC Toll Management Center System Operation	875,000	229,890	26.27%	112,500
ETC Development	559,000	11,738	2.10%	143,224
ETC Testing	275,000	-	-	-
Total Toll Operations Expense	9,972,680	3,234,671	32.44%	450,313
Total Operations and Maintenance	37,104,083	17,823,402	48.04%	10,770,004
Other Expenses				
Special Projects and Contingencies				
HERO	149,000	73,914	49.61%	73,914
Special Projects	100,000	-	-	-
71 Express Net Revenue Payment	5,000,000	1,324,641	26.49%	2,094,304
Customer Relations	3,000	-	-	-
Technology Initiatives	75,000	43,834	58.45%	41,395
Other Contractual Svcs	370,000	171,620	46.38%	105,925
Contingency	300,000	-	-	-
Total Special Projects and Contingencies	5,997,000	1,614,010	26.91%	2,315,538

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Non Cash Expenses				
Amortization Expense	2,020,950	640,146	31.68%	699,557
Amort Expense - Refund Savings	9,073,105	2,660,555	29.32%	4,417,990
Dep Exp - Furniture & Fixtures	2,178	1,307	60.00%	1,307
Dep Expense - Equipment	-	-	-	1,250
Dep Expense - Autos & Trucks	46,496	26,675	57.37%	11,470
Dep Expense - Buildng & Toll Fac	176,748	88,374	50.00%	88,374
Dep Expense - Highways & Bridges	53,479,102	25,310,772	47.33%	25,310,772
Dep Expense - Toll Equipment	4,736,604	1,863,579	39.34%	2,037,217
Dep Expense - Signs	1,052,717	508,285	48.28%	508,285
Dep Expense - Land Improvements	884,934	442,467	50.00%	442,467
Depreciation Expense - Computers	64,319	63,350	98.49%	94,541
Total Non Cash Expenses	71,537,153	31,605,510	44.18%	33,613,229
Total Other Expenses	77,534,153	33,219,520	42.85%	35,928,767
Non Operating Expenses				
Bond Issuance Expense	1,250,000	264,148	21.13%	4,723,010
Loan Fee Expense	14,500	48,000	331.03%	14,500
Interest Expense	83,664,454	39,009,737	46.63%	40,667,452
CAMPO RIF Payment	-	-	-	5,000,000
Community Initiatives	150,000	-	-	17,550
Total Non Operating Expenses	\$85,078,954	\$39,321,885	46.22%	\$50,422,511
TOTAL EXPENSES	212,478,727	95,370,977	44.88%	101,334,708
Net Income	\$ (27,598,593)	\$ 24,899,276		\$ (14,369,106)

Central Texas Regional Mobility Authority
Balance Sheet
as of December 31, 2022

	as of 12/31/2022	as of 12/31/2021
ASSETS		
Current Assets		
Cash		
Regions Operating Account	\$ 909,574	\$ 478,480
Cash in TexStar	43,305	2,040,248
Regions Payroll Account	126,956	77,571
Restricted Cash		
Goldman Sachs FSGF 465	1,132,934,706	676,859,799
Restricted Cash - TexSTAR	13,014,349	11,425,295
Overpayments account	291,044	626,574
Total Cash and Cash Equivalents	<u>1,147,319,935</u>	<u>691,507,968</u>
Accounts Receivable		
Accounts Receivable	2,770,089	2,770,089
Due From Other Agencies	68,279	72,837
Due From TTA	717,513	4,849,533
Due From NTTA	1,128,293	1,175,967
Due From HCTRA	1,909,145	1,669,227
Due From TxDOT	164,602	616,842
Interest Receivable	693,342	1,734,423
Total Receivables	<u>7,451,263</u>	<u>12,888,919</u>
Short Term Investments		
Treasuries	(0)	317,979,330
Agencies	(0)	169,081,163
Total Short Term Investments	<u>(0)</u>	<u>487,060,493</u>
Total Current Assets	<u>1,154,771,198</u>	<u>1,191,457,381</u>
Total Construction in Progress	329,347,047	239,310,990
Fixed Assets (Net of Depreciation and Amortization)		
Computers	35,157	193,047
Computer Software	1,162,326	2,105,892
Furniture and Fixtures	871	3,485
Equipment	9,624	10,874
Autos and Trucks	67,207	112,193
Buildings and Toll Facilities	4,328,645	4,505,392
Highways and Bridges	1,691,878,775	1,740,857,063
Toll Equipment	19,333,054	20,438,827
Signs	12,706,290	13,242,584
Land Improvements	5,756,802	6,641,736
Right of way	88,149,606	88,149,606
Leasehold Improvements	21,640	67,783
Total Fixed Assets	<u>1,823,449,997</u>	<u>1,876,328,482</u>
Other Assets		
Intangible Assets-Net	172,631,630	183,034,193
2005 Bond Insurance Costs	3,169,777	3,540,679
Prepaid Insurance	441,278	382,060
Deferred Outflows (pension related)	675,913	641,074
Pension Asset	2,549,818	591,247
Total Other Assets	<u>179,468,415</u>	<u>188,189,252</u>
Total Assets	<u><u>\$ 3,487,036,657</u></u>	<u><u>\$ 3,495,286,105</u></u>

Central Texas Regional Mobility Authority
Balance Sheet
as of December 31, 2022

	as of 12/31/2022	as of 12/31/2021
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 46,064,418	\$ 32,692,128
Construction Payable	5,166,203	8,042,563
Overpayments	294,629	629,946
Interest Payable	40,898,048	45,958,075
TCDRS Payable	101,730	87,491
Medical Reimbursement Payable	-	(125)
Due to other Agencies	12,354	18,466
Due to TTA	606,477	574,431
Due to HCTRA	138,019	123,020
Due to Other Entities	52,031	1,051,612
71E TxDOT Obligation - ST	3,142,749	3,617,995
Total Current Liabilities	96,476,659	92,795,602
Long Term Liabilities		
Compensated Absences	240,954	345,479
Deferred Inflows (pension related)	1,481,361	109,052
Long Term Payables	1,722,315	454,531
Bonds Payable		
Senior Lien Revenue Bonds:		
Senior Lien Revenue Bonds 2010	90,930,529	84,395,525
Senior Lien Revenue Bonds 2011	19,433,653	19,149,342
Senior Refunding Bonds 2013	3,475,000	7,080,000
Senior Lien Revenue Bonds 2015	10,000,000	10,000,000
Senior Lien Refunding Revenue Bonds 2016	70,790,000	81,395,000
Senior Lien Revenue Bonds 2018	44,345,000	44,345,000
Senior Lien Revenue Bonds 2020A	50,265,000	50,265,000
Senior Lien Refunding Bonds 2020B	55,600,000	56,205,000
Senior Lien Refunding Bonds 2020C	138,435,000	138,435,000
Senior Lien Revenue Bonds 2020E	167,160,000	167,160,000
Senior Lien Revenue Bonds 2021B	255,075,000	255,075,000
Senior Lien Refunding Bonds 2021D	274,625,000	274,625,000
Senior Lien Refunding Bonds 2021E	335,610,000	340,765,000
Sn Lien Rev Bnd Prem/Disc 2013	(0)	1,789,117
Senior Lien Premium 2016 Revenue Bonds	7,164,692	8,039,668
Sn Lien Revenue Bond Premium 2018	3,016,504	3,283,077
Senior Lien Revenue Bond Premium 2020A	11,263,202	11,413,911
Senior Lien Refunding Bond Premium 2020B	11,504,118	12,039,193
Senior Lien Revenue Bonds Premium 2020E	24,998,229	26,713,615
Senior Lien Revenue Bonds Premium 2021B	53,301,940	53,661,286
Senior Lien Refunding Bonds Premium 2021D	44,656,985	44,947,129
Total Senior Lien Revenue Bonds	1,671,649,852	1,690,781,865

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	as of 12/31/2022	as of 12/31/2021
Sub Lien Revenue Bonds:		
Sub Lien Refunding Bonds 2013	2,725,000	5,320,000
Sub Lien Refunding Bonds 2016	72,605,000	73,055,000
Sub Lien Refunding Bonds 2020D	98,580,000	99,705,000
Subordinated Lien BANS 2020F	110,875,000	110,875,000
Subordinate Lien Refunding Bonds 2020G	61,570,000	61,570,000
Subordinated Lien BANS 2021C	244,185,000	244,185,000
Sub Refunding 2013 Prem/Disc	0	381,748
Sub Refunding 2016 Prem/Disc	5,383,085	6,200,543
Subordinated Lien BANS 2020F Premium	8,005,729	12,008,594
Subordinated Lien Refunding Bonds Premium 2020G	6,966,234	7,370,205
Sub Lien BANS 2021C Premium	30,446,709	38,058,387
Total Sub Lien Revenue Bonds	641,341,758	658,729,477
Other Obligations		
TIFIA Note 2021	355,184,077	347,527,622
71E TxDOT Obligation - LT	55,077,264	57,263,411
Regions 2017 MoPAC Note	-	24,990,900
Regions 2022 MoPac Loan	24,690,900	-
Total Other Obligations	434,952,241	429,781,933
Total Long Term Liabilities	2,749,666,166	2,779,747,806
Total Liabilities	2,846,142,825	2,872,543,407
NET ASSETS		
Contributed Capital	121,462,104	121,462,104
Net Assets Beginning	494,532,189	515,649,438
Current Year Operations	24,899,538	(14,368,844)
Total Net Assets	640,893,831	622,742,698
Total Liabilities and Net Assets	\$ 3,487,036,657	\$ 3,495,286,105

Central Texas Regional Mobility Authority
Statement of Cash Flow
as of December 2022

Cash flows from operating activities:

Receipts from toll revenues	\$ 113,253,123
Payments to vendors	(23,360,283)
Payments to employees	(2,739,610)
Net cash flows provided by (used in) operating activities	87,153,230

Cash flows from capital and related financing activities:

Issuance Expense	(264,148)
Payments on bonds / loans	(300,000)
Interest payments	(39,904,215)
RIF Contribution	(5,000,000)
Acquisition of capital assets - non project	(2,618,877)
Acquisitions of construction in progress	(40,156,491)
Net cash flows provided by (used in) capital and related financing activities	(88,243,732)

Cash flows from investing activities:

Interest Receivable	2,018
Interest income	12,006,477
Purchase of investments	(42,703,703)
Proceeds from sale or maturity of investments	150,044,443
Net cash flows provided by (used in) investing activities	119,349,235
Net increase (decrease) in cash and cash equivalents	118,258,734
Cash and cash equivalents at beginning of period	1,029,061,201
Cash and cash equivalents at end of period	\$ 1,147,319,935

Reconciliation of change in net assets to net cash provided by operating activities:

Operating income	\$ 51,948,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	31,605,510
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,825,610
(Increase) decrease in prepaid expenses and other assets	(313,215)
(Decrease) increase in accounts payable	(1,312,601)
Increase (decrease) in accrued expenses	399,884
Total adjustments	35,205,188
Net cash flows provided by (used in) operating activities	\$ 87,153,230

Reconciliation of cash and cash equivalents:

Unrestricted cash and cash equivalents	\$ 203,942,688
Restricted cash and cash equivalents	943,377,247
Total	\$ 1,147,319,935

INVESTMENTS by FUND

		Balance	
		December 31, 2022	
Renewal & Replacement Fund			
TexSTAR	1,821.61		TexSTAR 13,057,654.46
Goldman Sachs	8,553.29		Goldman Sachs 1,127,734,337.83
Agencies/ Treasuries		10,374.90	Agencies & Treasury Notes -
Grant Fund			\$ 1,140,791,992.29
TexSTAR	461,564.92		
Goldman Sachs	9,734,966.60		
Agencies/ Treasuries	MATURED	10,196,531.52	
Senior Debt Service Reserve Fund			
TexSTAR	1,001,739.75		
Goldman Sachs	108,228,339.15		
Agencies/ Treasuries	MATURED	109,230,078.90	
2010 Senior Lien Debt Service Account			
Goldman Sachs	61,406.92	61,406.92	
2011 Sr Debt Service Accountt			
Goldman Sachs	3,759,755.58	3,759,755.58	
2013 Sr Debt Service Accountt			
Goldman Sachs	3,590,311.57	3,590,311.57	
2013 Sub Debt Service Account			
Goldman Sachs	2,815,540.56	2,815,540.56	
2013 Sub Debt Service Reserve Fund			
Goldman Sachs	124.81	792,813.98	
TexSTAR	792,689.17		
2015 Sr Debt Service Account			
Goldman Sachs	4,537,058.61	4,537,058.61	
2016 Sr Lien Rev Refunding Debt Service Account			
Goldman Sachs	13,107,976.22	13,107,976.22	
2016 Sub Lien Rev Refunding Debt Service Account			
Goldman Sachs	2,833,421.91	2,833,421.91	
2016 Sub Lien Rev Refunding DSR			
Goldman Sachs	7,084,035.48	7,084,035.48	
Agencies/ Treasuries	-		
Operating Fund			
TexSTAR	43,305.47		
TexSTAR-Trustee	7,593,378.33		
Goldman Sachs	8,111,366.93	15,748,050.73	
Revenue Fund			
Goldman Sachs	5,734,259.57	5,734,259.57	
General Fund			
TexSTAR	1,155,947.39		
Goldman Sachs	147,199,318.66		
Agencies/ Treasuries	-	148,355,266.05	
71E Revenue Fund			
Goldman Sachs	27,182,386.75	27,182,386.75	
MoPac Revenue Fund			
Goldman Sachs	76,310.20	76,310.20	
MoPac General Fund			
Goldman Sachs	10,363,999.22	10,363,999.22	
MoPac Operating Fund			
Goldman Sachs	314,119.52	314,119.52	
MoPac Loan Repayment Fund			
Goldman Sachs	869,395.65	869,395.65	
2015B Project Account			
Goldman Sachs	42,445,286.69		
TexSTAR	355,284.68	42,800,571.37	
2015 TIFIA Project Account			
Goldman Sachs	37,978,158.60		
TexSTAR	705,829.05		
Agencies/ Treasuries	-	38,683,987.65	
2011 Sr Financial Assistance Fund			
Goldman Sachs	985,399.26	985,415.30	
TexSTAR	16.04		
2018 Sr Lien Debt Service Account			
Goldman Sachs	913,223.56	913,223.56	
2018 Sr Lien Project Cap I			
Goldman Sachs	202,271.98	202,271.98	
2018 Sr Lien Project Account			
Goldman Sachs	12,564,736.66		
TexSTAR	946,078.05	13,510,814.71	
2020A Senior Lien Debt Service Account			
Goldman Sachs	1,266,797.87	1,266,797.87	
2020B Senior Lien Debt Service Account			
Goldman Sachs	1,988,081.84	1,988,081.84	
2020C Senior Lien Debt Service Account			
Goldman Sachs	1,899,557.24	1,899,557.24	
2020D Sub Lien Debt Service Account			
Goldman Sachs	2,641,102.59	2,641,102.59	
2020D Sub Debt Service Reserve Fund			
Goldman Sachs	8,223,027.76	8,223,027.76	
2020E Senior Lien Project Account			
Goldman Sachs	153,416,259.27	153,416,259.27	
2020E Senior Lien Project Cap Interest			
Goldman Sachs	21,979,219.86	21,979,219.86	
2020F Sub Lien Project Account			
Goldman Sachs	15,418,757.78	15,418,757.78	
2020F Sub Lien Deb Service Account			
Goldman Sachs	2,786,528.21	2,786,528.21	
2020G Sub Lien Debt Service Account			
Goldman Sachs	1,283,046.99	1,283,046.99	
2020G Sub Lien Debt Service Reserve Account			
Goldman Sachs	3,064,761.27	3,064,761.27	
2021A Sub Lien Debt Service Reserve Account			
Goldman Sachs	13,353,826.37	13,353,826.37	32,518,464.86
2021A Sub Debt Service Account			
Goldman Sachs	96.94	96.94	
2021B Senior Lien Cap I Project Fund			
Goldman Sachs	46,552,423.68	46,552,423.68	
2021B Senior Lien Project Account			
Goldman Sachs	232,648,352.74		
Agencies/ Treasuries	MATURED	232,648,352.74	
2021C Sub Lien Cap I Project Fund			
Goldman Sachs	1,353.06	1,353.06	
2021C Sub Lien Project Account			
Goldman Sachs	150,307,265.22	150,307,265.22	
2021C Sub Lien Debt Service Account			
Goldman Sachs	6,136,480.80	6,136,480.80	
2021D Senior Lien Debt Service Account			
Goldman Sachs	6,116,971.31	6,116,971.31	
2021E Senior Lien Debt Service Account			
Goldman Sachs	7,948,703.08	7,948,703.08	
		\$ 1,140,791,992.29	

CTRMA INVESTMENT REPORT

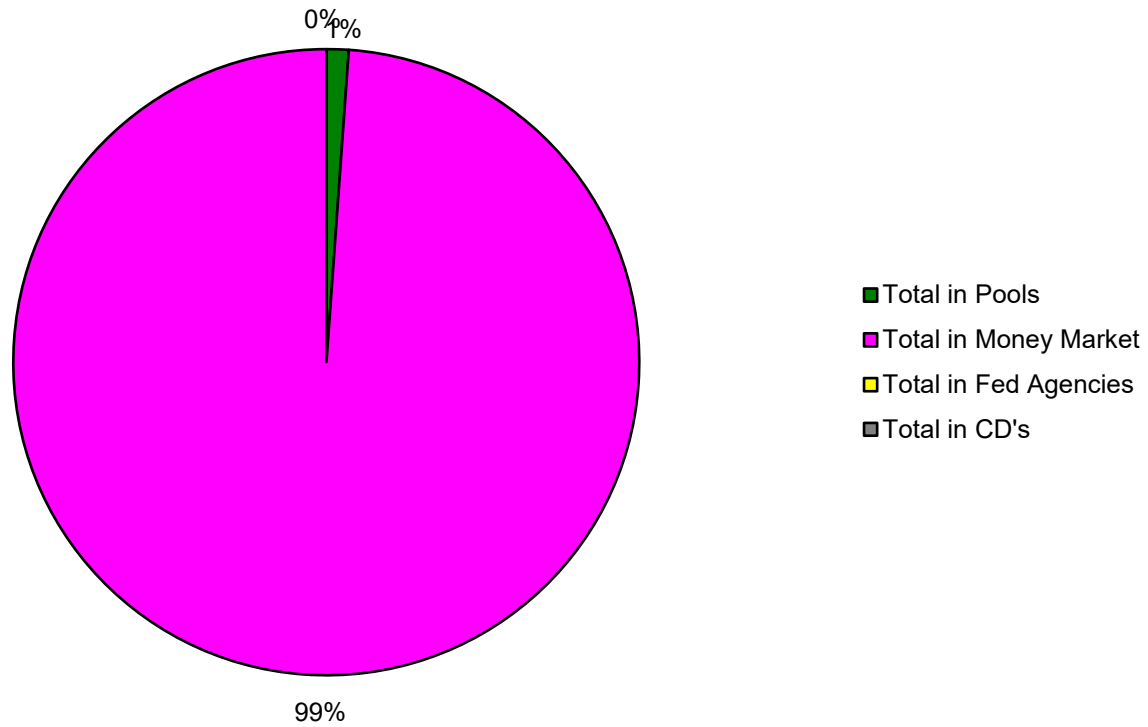
	Month Ending 12/31/2022					Rate December	
	Balance 12/1/2022	Additions	Discount Amortization	Accrued Interest	Withdrawals		Balance 12/31/2022
Amount in Trustee TexStar							
2011 Sr Lien Financial Assist Fund	16.02			0.02		16.04	3.9681%
2013 Sub Lien Debt Service Reserve General Fund	790,026.63 1,152,064.71			2,662.54 3,882.68		792,689.17 1,155,947.39	3.9681% 3.9681%
Trustee Operating Fund	7,570,091.39	4,000,000.00		23,286.94	4,000,000.00	7,593,378.33	3.9681%
Renewal and Replacement Grant Fund	1,815.50 460,014.58			6.11 1,550.34		1,821.61 461,564.92	3.9681% 3.9681%
Senior Lien Debt Service Reserve Fund	998,375.03			3,364.72		1,001,739.75	3.9681%
2015B Sr Ln Project	354,091.32			1,193.36		355,284.68	3.9681%
2015C TIFIA Project	703,458.28			2,370.77		705,829.05	3.9681%
2018 Sr Lien Project Account	942,900.28			3,177.77		946,078.05	3.9681%
	12,972,853.74	4,000,000.00		41,495.25	4,000,000.00	13,014,348.99	
Amount in TexStar Operating Fund							
	43,160.04	4,000,000.00		145.43	4,000,000.00	43,305.47	3.9681%
Goldman Sachs							
Operating Fund	8,008,704.54	4,078,754.75		23,907.64	4,000,000.00	8,111,366.93	3.9500%
2020A Senior Lien Debt Service Account	1,164,626.17	98,815.62		3,356.08		1,266,797.87	3.9500%
2020B Senior Lien Debt Service Account	1,706,893.21	276,450.46		4,738.17		1,988,081.84	3.9500%
2020C Senior Lien Debt Service Account	1,580,751.03	314,498.42		4,307.79		1,899,557.24	3.9500%
2020D Sub Lien Debt Service Account	2,292,798.65	341,898.96		6,404.98		2,641,102.59	3.9500%
2020D Sub Debt Service Reserve Fund	8,198,448.22			24,579.54		8,223,027.76	3.9500%
2020E Sr Lien Project Account	152,957,681.13			458,578.14		153,416,259.27	3.9500%
2020E Sr Ln Project Cap Interest	21,913,521.55			65,698.31		21,979,219.86	3.9500%
2020F Sub Lien Project Account	17,002,583.89			54,435.22	1,638,261.33	15,418,757.78	3.9500%
2020F Sub Lien Debt Service Account	2,318,851.96	461,357.03		6,319.22		2,786,528.21	3.9500%
2020G Sub Lien Debt Service Account	1,067,707.13	212,430.20		2,909.66		1,283,046.99	3.9500%
2020G Sub Debt Service Reserve Fund	2,960,154.48	95,863.53		8,743.26		3,064,761.27	3.9500%
2021A Sub Debt Service Reserve Fund	12,768,509.55	547,787.33		37,529.49		13,353,826.37	3.9500%
2021A Sub Debt Service Account	96.65			0.29		96.94	3.9500%
2021B Senior Lien Cap I Project Fund	46,413,273.35			139,150.33		46,552,423.68	3.9500%
2021B Senior Lien Project Account	231,953,828.96			695,414.27	890.49	232,648,352.74	3.9500%
2021C Sub Lien Cap I Project Fund	1,349.02			4.04		1,353.06	3.9500%
2021C Sub Lien Project Account	155,572,831.59			466,493.18	5,732,059.55	150,307,265.22	3.9500%
2021C Sub Lien Debt Service Account	5,106,342.89	1,016,222.72		13,915.19		6,136,480.80	3.9500%
2021D Senior Lien Debt Service Account	5,129,898.77	973,027.48		14,045.06		6,116,971.31	3.9500%
2021E Senior Lien Debt Service Account	6,866,624.44	1,062,950.10		19,128.54		7,948,703.08	3.9500%
2011 Sr Financial Assistance Fund	982,453.79			2,945.47		985,399.26	3.9500%
2010 Senior DSF	61,223.35			183.57		61,406.92	3.9500%
2011 Senior Lien Debt Service Account	3,439,475.32	310,394.25		9,886.01		3,759,755.58	3.9500%
2013 Senior Lien Debt Service Account	3,277,208.45	303,693.80		9,409.32		3,590,311.57	3.9500%
2013 Sub Debt Service Reserve Fund	124.44			0.37		124.81	3.9500%
2013 Subordinate Debt Service Account	2,569,994.45	238,167.79		7,378.32		2,815,540.56	3.9500%
2015A Sr Lien Debt Service Account	4,523,495.88			13,562.73		4,537,058.61	3.9500%
2015B Project Account	42,376,854.53			127,048.86	58,616.70	42,445,286.69	3.9500%
2015C TIFIA Project Account	37,917,152.50			113,752.74	52,746.64	37,978,158.60	3.9500%
2016 Sr Lien Rev Refunding Debt Service Account	12,394,416.75	677,326.81		36,232.66		13,107,976.22	3.9500%
2016 Sub Lien Rev Refunding Debt Service Account	2,455,339.16	371,230.70		6,852.05		2,833,421.91	3.9500%
2016 Sub Lien Rev Refunding DSR	7,062,860.52			21,174.96		7,084,035.48	3.9500%
2018 Sr Lien Project Cap I	201,667.37			604.61		202,271.98	3.9500%
2018 Sr Lien Debt Service Account	759,738.74	151,414.77		2,070.05		913,223.56	3.9500%
2018 Sr Lien Project Account	11,196,196.76	1,552,200.95		33,229.66	216,890.71	12,564,736.66	3.9500%
Grant Fund	9,705,867.71			29,098.89		9,734,966.60	3.9500%
Renewal and Replacement	7,056.87	85,000.00		108.73	83,612.31	8,553.29	3.9500%
Revenue Fund	13,493,460.22	17,232,348.59		29,333.80	25,020,883.04	5,734,259.57	3.9500%
General Fund	135,189,205.70	11,746,267.36		397,128.85	133,283.25	147,199,318.66	3.9500%
Senior Lien Debt Service Reserve Fund	107,904,832.70			323,506.45		108,228,339.15	3.9500%
71E Revenue Fund	26,089,128.81	1,190,327.56		77,208.91	174,278.53	27,182,386.75	3.9500%
MoPac Revenue Fund	0.00	1,253,924.64		2,058.42	1,179,672.86	76,310.20	3.9500%
MoPac General Fund	9,605,997.88	735,704.61		26,392.75	4,096.02	10,363,999.22	3.9500%
MoPac Operating Fund	444,672.12	350,410.62		916.51	481,879.73	314,119.52	3.9500%
MoPac Loan Repayment Fund	723,601.38	143,968.25		1,826.02		869,395.65	3.9500%
	1,117,367,502.58	45,822,437.30		3,321,569.11	38,777,171.16	1,127,734,337.83	
Amount in Fed Agencies and Treasuries							
Amortized Principal	0.00				0.00	0.00	
	0.00					0.00	
Certificates of Deposit							
Total in Pools	13,016,013.78	8,000,000.00		41,640.68	8,000,000.00	13,057,654.46	
Total in GS FSGF	1,117,367,502.58	45,822,437.30		3,321,569.11	38,777,171.16	1,127,734,337.83	
Total in Fed Agencies and Treasuries	0.00				0.00	0.00	
Total Invested	1,130,383,516.36	53,822,437.30		3,363,209.79	46,777,171.16	1,140,791,992.29	

All Investments in the portfolio are in compliance with the CTRMA's Investment policy and the relevant provisions of the Public Funds Investment Act Chapter 2256.023

José Hernández, CFO

12/31/2022

Allocation of Funds



ESCROW FUNDS

Travis County Escrow Fund - Elroy Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	3,716,717.38		11,216.99	19,470.37	3,708,464.00

Travis County Escrow Fund - Ross Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	212,617.33		353.06	950.50	212,019.89

Travis County Escrow Fund - Old San Antonio Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	43,609.65		136.41	2,444.94	41,301.12

Travis County Escrow Fund - Old Lockhart Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	264,734.17		793.69	89,963.78	175,564.08

Travis County Escrow Fund - County Line Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	321,215.97		963.03	19,100.32	303,078.68

Travis County Escrow Fund - South Pleasant Valley Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	320,148.86		966.98	2,736.70	318,379.14

Travis County Escrow Fund - Thaxton Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	135,025.05		409.25	1,606.48	133,827.82

Travis County Escrow Fund - Pearce Lane Road

	Balance		Accrued		Balance
	12/1/2022	Additions	Interest	Withdrawals	12/31/2022
Goldman Sachs	308,179.06		933.72	1,380.43	307,732.35



PERFORMANCE

As of December 31, 2022

Current Invested Balance	\$ 9,016,826,910.67
Weighted Average Maturity (1)	4 Days
Weighted Average Life (2)	42 Days
Net Asset Value	0.999855
Total Number of Participants	999
Management Fee on Invested Balance	0.06%*
Interest Distributed	\$28,889,232.69
Management Fee Collected	\$430,234.75
% of Portfolio Invested Beyond 1 Year	5.08%
Standard & Poor's Current Rating	AAAm

December Averages

Average Invested Balance	\$8,442,960,584.01
Average Monthly Yield, on a simple basis	3.9681%
Average Weighted Maturity (1)	5 Days
Average Weighted Life (2)	43 Days

Definition of Weighted Average Maturity (1) & (2)

(1) This weighted average maturity calculation uses the SEC Rule 2a-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This Rule specifies that a variable rate instruction to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.
 (2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

The maximum management fee authorized for the TexSTAR Cash Reserve Fund is 12 basis points. This fee may be waived in full or in part in the discretion of the TexSTAR co-administrators at any time as provided for in the TexSTAR Information Statement.

Rates reflect historical information and are not an indication of future performance.

NEW PARTICIPANTS

We would like to welcome the following entities who joined the TexSTAR program in December:

* City of Mason

HOLIDAY REMINDER

In observance of Martin Luther King Jr. holiday, **TexSTAR will be closed Monday, January 16, 2023.** All ACH transactions initiated on Friday, January 13th will settle on Tuesday, January 17th.

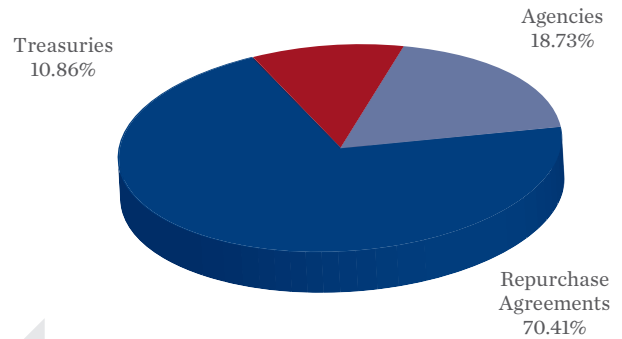
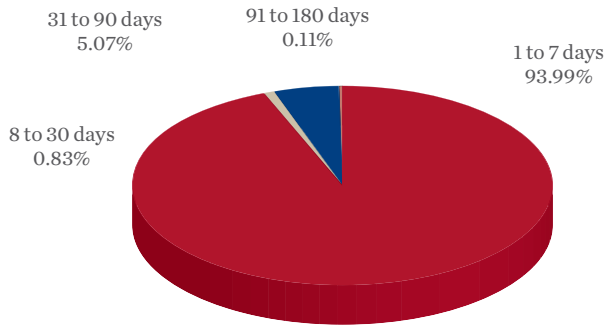
ECONOMIC COMMENTARY

Market review

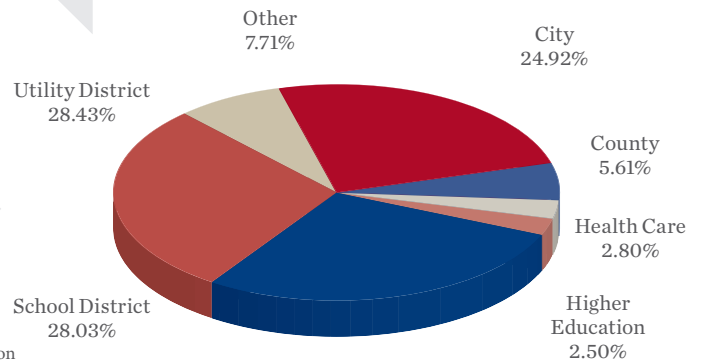
2022 was a roller coaster for investors with Russia's invasion of Ukraine challenging global energy supply, central banks pivoting aggressively to combat high inflation, fading, yet still widespread effects of a global pandemic impacting consumers, businesses, and supply chains, and elevated political uncertainty shifting the landscape of economies globally. In summary, 2022 was a volatile year. Central banks may be blamed as the main culprit for the pickup in volatility. Indeed, rate volatility was most elevated relative to other asset classes as central banks shifted aggressively to bring down inflation many economies had not experienced in decades. The European Central Bank lifted rates swiftly from negative territory, the Bank of England quickly raised rates to restrictive, the Federal Reserve (Fed) increased rates at its fastest pace since the early '80's, and the Bank of Japan may be gearing up to abandon its ultra-accommodative yield curve control policy, all contributing to the move higher in global rates and the sell-off in equities. We ended the year with the S&P 500 Index down -18% as the federal funds rate soared 425 basis points (bps) to 4.50% (upper bound). As the year ended, central banks slowed the pace of rate hikes, while warning markets not to underestimate the need for further tightening. December brought some positive news as the November CPI report came in below expectations for the second consecutive month and reinforced the turning tide on inflation as nearly every category showed easing price pressures. Headline CPI rose by 0.1% month-over-month (m/m) and core CPI rose by 0.2% m/m, bringing the year-over-year (y/y) rates down to 7.1% and 6.0%, respectively. Energy deflation continued with gas prices falling 2%. Core goods inflation continued to come down with improvement in supply chains, inventory growth, and softer consumer demand. Shelter was again the largest contributor to inflation. Services inflation excluding shelter was flat on the month, driven by weakness in prices for medical care services, airlines, and hotel lodging. Despite the lags between the industry's rent data and CPI's shelter component, the underlying trend is that inflation has peaked and will continue to soften over time. The PCE price index, the Fed's preferred measure of inflation, also showed signs of easing with the headline up 5.5% y/y in November, down from June's 40-year high of 7% y/y. *(continued page 4)*

INFORMATION AT A GLANCE

PORTFOLIO BY TYPE OF INVESTMENT AS OF DECEMBER 31, 2022



PORTFOLIO BY MATURITY AS OF DECEMBER 31, 2022 (1)



DISTRIBUTION OF PARTICIPANTS BY TYPE AS OF DECEMBER 31, 2022

(1) Portfolio by Maturity is calculated using WAM (1) definition for stated maturity. See page 1 for definition

HISTORICAL PROGRAM INFORMATION

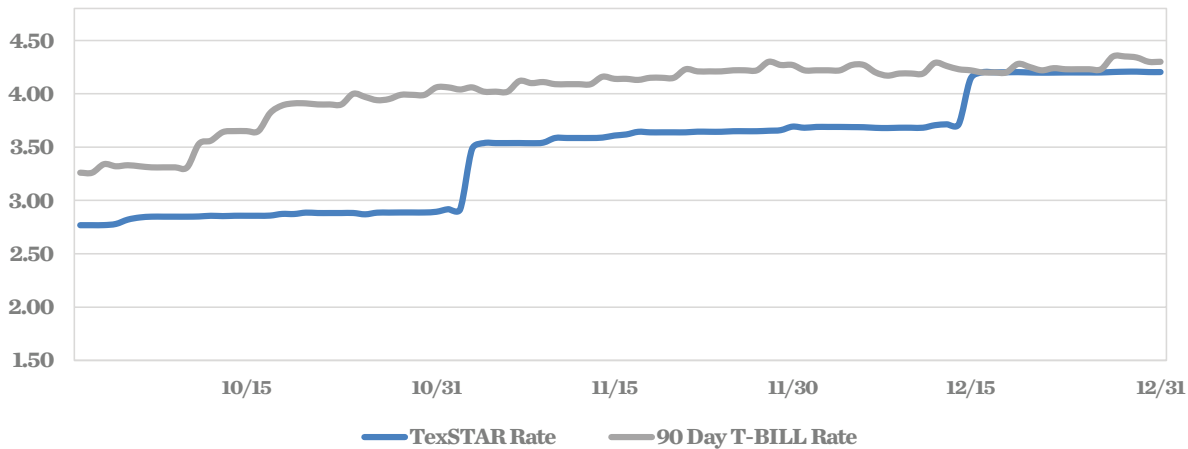
MONTH	AVERAGE RATE	BOOK VALUE	MARKET VALUE	NET ASSET VALUE	WAM (1)	WAL (2)	NUMBER OF PARTICIPANTS
Dec 22	3.9681%	\$9,016,826,910.67	\$9,015,709,981.89	0.999855	5	43	999
Nov 22	3.5588%	8,393,118,851.17	8,390,786,906.73	0.999722	6	47	998
Oct 22	2.8531%	8,388,414,626.87	8,384,901,873.82	0.999581	10	46	996
Sep 22	2.2941%	8,448,258,598.47	8,444,307,157.72	0.999510	16	43	994
Aug 22	1.9469%	8,988,292,520.61	8,983,610,837.50	0.999479	27	50	991
Jul 22	1.4010%	9,799,798,062.32	9,793,880,215.07	0.999396	34	49	990
Jun 22	0.9850%	9,799,299,684.61	9,793,062,348.93	0.999363	42	57	989
May 22	0.6459%	9,701,777,049.61	9,700,243,468.41	0.999841	43	61	988
Apr 22	0.3225%	8,985,925,505.16	8,984,338,322.90	0.999818	39	60	986
Mar 22	0.1070%	9,050,970,696.95	9,050,137,013.72	0.999907	27	38	981
Feb 22	0.0104%	9,779,113,455.23	9,778,353,196.78	0.999922	26	32	979
Jan 22	0.0100%	9,399,813,099.48	9,399,092,954.95	0.999923	31	38	977

PORTFOLIO ASSET SUMMARY AS OF DECEMBER 31, 2022

	BOOK VALUE	MARKET VALUE
Uninvested Balance	\$ 192.76	\$ 192.76
Accrual of Interest Income	10,403,289.16	10,403,289.16
Interest and Management Fees Payable	(28,824,166.14)	(28,824,166.14)
Payable for Investment Purchased	0.00	0.00
Repurchase Agreement	6,361,132,999.75	6,361,132,999.75
Government Securities	2,674,114,595.14	2,672,997,666.36
TOTAL	\$ 9,016,826,910.67	\$ 9,015,709,981.89

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of TexSTAR. The only source of payment to the Participants are the assets of TexSTAR. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact TexSTAR Participant Services.

TEXSTAR VERSUS 90-DAY TREASURY BILL



This material is for information purposes only. This information does not represent an offer to buy or sell a security. The above rate information is obtained from sources that are believed to be reliable; however, its accuracy or completeness may be subject to change. The TexSTAR management fee may be waived in full or in part at the discretion of the TexSTAR co-administrators and the TexSTAR rate for the period shown reflects waiver of fees. This table represents historical investment performance/return to the customer, net of fees, and is not an indication of future performance. An investment in the security is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment of \$1.00 per share, it is possible to lose money by investing in the security. Information about these and other program details are in the fund's Information Statement which should be read carefully before investing. The yield on the 90-Day Treasury Bill ("T-Bill Yield") is shown for comparative purposes only. When comparing the investment returns of the TexSTAR pool to the T-Bill Yield, you should know that the TexSTAR pool consists of allocations of specific diversified securities as detailed in the respective Information Statements. The T-Bill Yield is taken from Bloomberg Finance L.P. and represents the daily closing yield on the then current 90-Day T-Bill. The TexSTAR yield is calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940 as promulgated from time to time by the federal Securities and Exchange Commission.

DAILY SUMMARY FOR DECEMBER 2022

DATE	MNY MKT FUND EQUIV. [SEC Std.]	DAILY ALLOCATION FACTOR	INVESTED BALANCE	MARKET VALUE PER SHARE	WAM DAYS (1)	WAL DAYS (2)
12/1/2022	3.6809%	0.000100847	\$8,382,233,284.22	0.999743	6	44
12/2/2022	3.6885%	0.000101054	\$8,361,566,154.13	0.999766	6	44
12/3/2022	3.6885%	0.000101054	\$8,361,566,154.13	0.999766	6	44
12/4/2022	3.6885%	0.000101054	\$8,361,566,154.13	0.999766	6	44
12/5/2022	3.6871%	0.000101017	\$8,399,258,335.07	0.999786	6	44
12/6/2022	3.6859%	0.000100983	\$8,405,345,658.42	0.999780	5	43
12/7/2022	3.6799%	0.000100819	\$8,361,959,159.47	0.999788	5	43
12/8/2022	3.6782%	0.000100773	\$8,302,421,473.26	0.999796	5	43
12/9/2022	3.6811%	0.000100851	\$8,492,822,069.11	0.999823	5	42
12/10/2022	3.6811%	0.000100851	\$8,492,822,069.11	0.999823	5	42
12/11/2022	3.6811%	0.000100851	\$8,492,822,069.11	0.999823	5	42
12/12/2022	3.7048%	0.000101500	\$8,553,865,217.66	0.999815	5	41
12/13/2022	3.7131%	0.000101729	\$8,489,915,484.57	0.999810	5	42
12/14/2022	3.7132%	0.000101732	\$8,454,664,296.87	0.999790	5	42
12/15/2022	4.1396%	0.000113413	\$8,323,366,088.27	0.999798	5	43
12/16/2022	4.2009%	0.000115094	\$8,275,423,526.66	0.999818	5	43
12/17/2022	4.2009%	0.000115094	\$8,275,423,526.66	0.999818	5	43
12/18/2022	4.2009%	0.000115094	\$8,275,423,526.66	0.999818	5	43
12/19/2022	4.2025%	0.000115138	\$8,317,318,364.72	0.999831	5	43
12/20/2022	4.1992%	0.000115046	\$8,365,299,871.04	0.999825	5	43
12/21/2022	4.1975%	0.000115001	\$8,306,304,692.31	0.999831	5	43
12/22/2022	4.1980%	0.000115015	\$8,294,716,489.33	0.999827	5	43
12/23/2022	4.1993%	0.000115048	\$8,364,932,700.26	0.999847	5	41
12/24/2022	4.1993%	0.000115048	\$8,364,932,700.26	0.999847	5	41
12/25/2022	4.1993%	0.000115048	\$8,364,932,700.26	0.999847	5	41
12/26/2022	4.1993%	0.000115048	\$8,364,932,700.26	0.999847	5	41
12/27/2022	4.2038%	0.000115172	\$8,611,192,709.49	0.999844	4	40
12/28/2022	4.2065%	0.000115247	\$8,625,659,879.37	0.999816	4	44
12/29/2022	4.2072%	0.000115265	\$8,655,437,228.27	0.999822	5	45
12/30/2022	4.2031%	0.000115153	\$9,016,826,910.67	0.999855	4	42
12/31/2022	4.2031%	0.000115153	\$9,016,826,910.67	0.999855	4	42
Average	3.9681%	0.000108716	\$8,442,960,584.01		5	43



ECONOMIC COMMENTARY (cont.)

While the Fed welcomed this recent moderation, inflation is still well above its 2% target, and the Fed maintained its hawkish messaging on monetary policy. At its December meeting, the Federal Open Market Committee (FOMC) hiked rates at a reduced pace of 0.50% to a range of 4.25%-4.50%, as anticipated. Markets were most surprised by the Fed's updated Summary of Economic Projections (SEP), which showed a picture of higher unemployment, higher inflation and slower growth in 2023 and 2024. The median FOMC member now expects a terminal rate of 5.1% in 2023, a half-percent higher than their September forecast, before reducing rates more aggressively in 2024. Moreover, the range of federal funds rate estimates for 2023 was quite narrow with only two members seeing policy rates below 5% in 2023. No changes were made to the FOMC statement noting "ongoing increases" in the federal funds rate are likely appropriate. At the press conference, Chairman Powell left the door open to downshifting to 25 bp hikes beginning as early as February and underscored that more weakening in the labor market is needed to ensure that inflation moderates. The Federal Reserve's balance sheet reduction, or quantitative tightening, continued at a runoff pace of \$95 billion per month (\$60 billion Treasuries, \$35 billion mortgage-backed securities) and is expected to continue through 2023.

Meanwhile, other economic data continued to provide mixed signals. On the one hand, aggressive Fed tightening weighted on the economy as housing data continued to feel the pressure of higher rates, with existing home sales down -7.7% in November and the NAHB's gauge of homebuilder sentiment down for the 12th consecutive month in December. U.S retail sales declined -0.6% m/m in November, indicating a slowdown in consumer spending amid high inflation and interest rates. Broader consumer spending is expected to weaken further as consumers drawdown the excess savings amassed earlier in the pandemic. Business surveys continued to be generally weak with flash December purchasing managers indices (PMIs) disappointing for both the manufacturing survey and the services survey. The headline composite for the manufacturing survey fell from 47.7 in November to 46.2 in December while the headline activity index for the services survey declined from 46.2 to 44.4. However, the employment components continued to show resilience, and other employment indicators remained strong, despite some evidence of cooling. The November Job Openings and Labor Turnover Survey (JOLTS) report showed a 0.5% decrease in job openings. Even so, this number remains elevated at 10.458 million compared to the pre-pandemic levels. In this environment, the U.S. Treasury yield curve remained inverted between the three-month Treasury bill and 10-year note yields, ending the year at -50 bps. In the money market space, the three-month Treasury bill yield increased 2 bps on the month and 10 bps on the quarter to end at 4.37%, while the six-month Treasury bill yields rose 8 bps on the month and 83 bps during the quarter to end at 4.76%.

Outlook

As we head into 2023, the Fed's aggressive rate hikes finally seem to be biting into inflation. Goods inflation has clearly turned downward, rental prices are moderating, and energy prices have stabilized. This should be a signal that most of the rate hikes are behind us. The Fed signaled it has no plans to ease policy in 2023 and emphasized that slowing the pace of hikes does not equal easing or a lessening of their resolve. They still view the inflation outlook as very uncertain, but tilted toward the upside, which is why they seek to maintain flexibility to hike rates higher. They are wary that financial conditions will ease too quickly. From a risk management standpoint, they would prefer to err on the side of overtightening to ensure they achieve their inflation goal. Further cooling in inflation data may allow the Fed to pivot before hiking rates above 5%, but the risk of Fed overtightening and inducing a recession remains elevated. Despite this hawkishness, the fixed income market appears to doubt the Fed's plan to keep rates elevated for longer. Fed funds futures are showing a peak rate of just under 5% by May 2023, with almost 50 bps of rate cuts in the latter part of the year. This reflects the fact that market participants expect inflation to fall more quickly than the Fed is forecasting.

We expect the Fed to raise rates another 50-75 bps over the next two meetings, depending on how many are needed to moderate core inflation. Neither the monthly rate of core inflation nor the trailing 12-month rate seems to be an appropriate measure. A rolling three-month annualized rate of core CPI and core PCE would give the Fed more current information on the effectiveness of its rate hikes. By that metric, core CPI is currently at 4.2% and core PCE is at 4.0%. It's unlikely the Fed would even consider cutting rates before core inflation falls toward 2%-2.5%.



ECONOMIC COMMENTARY (cont.)

The question is: Can the Fed raise rates to a level that will bring down inflation to its target of 2% without causing a recession? The greatest support for a soft landing looks to be coming from the labor market. Unemployment is very low, wages are going up, and the consumer can keep spending. However, this doesn't appear to be sustainable. For the Fed to bring core inflation down to 2%-2.5%, wage growth needs to come down, which means unemployment must go up, which means a recession is necessary. It seems very aspirational to assume all this can end in a soft landing.

This information is an excerpt from an economic report dated December 2022 provided to TexSTAR by JP Morgan Asset Management, Inc., the investment manager of the TexSTAR pool.

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