



Debt Reduction Report

Rider 43, TxDOT Bill Pattern, General Appropriations Act, 83rd Legislature

August 31, 2015

Introduction

Through several debt financing programs provided by the Texas Legislature, the Texas Transportation Commission (Commission) has been able to deliver much needed additional transportation projects throughout the State of Texas. The Texas Department of Transportation (department) continually monitors its financing programs for opportunities to reduce debt service costs through refunding, restructuring, refinancing and defeasing existing debt. In fiscal year 2015 the Commission and the department achieved debt service savings in excess of \$1.24 billion that would have been paid through 2042 by refunding bonds at a lower interest rate and thus reducing the amount of outstanding debt by approximately \$319 million.

In accordance with Rider 43 of the department's bill pattern (General Appropriations Act, SB 1, 83rd Legislature) the department hereby submits its "Debt Reduction Report" outlining the results of its efforts to capture savings on bond indebtedness and reduce debt during fiscal year 2015. Rider 43 states:

"It is the intent of the Legislature that the Texas Transportation Commission and the Department of Transportation look for any and all opportunities for savings that may be accomplished for the department and the state from efforts to refinance, restructure, defease, or refund the outstanding bond indebtedness issued for its transportation programs under terms and conditions that the commission finds to be in the best interest of the state. The department shall report to the Governor, Lieutenant Governor, Speaker of the House, and the Legislature annually on the outcomes of these efforts."

Debt Savings Efforts

In fiscal year 2015, the department generated debt service savings and reduced outstanding debt through three separate transactions comprised of issuing Texas Mobility Fund refunding bonds, Central Texas Turnpike System refunding bonds and State Highway Fund Revenue refunding bonds:

State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014-A and 2014-B

In December 2014, the department refinanced more than \$1 billion in existing Texas Mobility Fund debt in order to obtain savings. The refunding resulted in total savings of \$169 million from fiscal years 2015 to 2036 (or approximately \$116 million on a present value basis). The savings represents 11.4% of the bonds refunded, a savings level well in excess of the Texas Transportation Commission's guideline of 3%.

Central Texas Turnpike System First Tier Revenue Refunding Bonds, Series 2015-A and 2015-B, and Second Tier Revenue Refunding Bonds, Series 2015-C

In February 2015, the department refinanced approximately \$1.8 billion in existing First Tier bonds and Subordinate Lien debt (the outstanding Transportation Infrastructure Finance and Innovation Act “TIFIA” loan) in order to obtain savings, lower debt service and improve debt service coverage ratios. The refunding resulted in total savings of approximately \$948 million (or approximately \$384 million on a present value basis) which would have been paid from fiscal years 2015 to 2042. The savings represents 21.7% of the bonds refunded, a savings level well in excess of the Texas Transportation Commission’s guideline of 3%.

State Highway Fund First Tier Revenue Refunding Bonds, Series 2015

In July 2015, the department refinanced approximately \$848 million in existing State Highway Fund First Tier Revenue Bonds for debt service savings. The refunding resulted in total savings of approximately \$124 million (or approximately \$97 million on a present value basis) which would have been paid from fiscal years 2016 to 2027. The savings represents 11.4% of the bonds refunded, a savings level well in excess of the Texas Transportation Commission’s guideline of 3%.

Below is a table that presents debt service savings for FY 2014 and FY 2015.

Cumulative Debt Service Savings						
Program	Prior Fiscal Years ¹		FY 2015		Total	
	Gross Savings	PV Savings*	Gross Savings	PV Savings*	Gross Savings	PV Savings*
Texas Mobility Fund Bonds	\$154 million	\$120 million	\$169 million	\$116 million	\$323 million	\$236 million
State Highway Fund/ Prop 14 Bonds	\$102 million	\$ 83 million	\$124 million	\$97 million	\$226 million	\$180 million
Central Texas Turnpike System Bonds	-	-	\$948 million	\$384 million	\$948 million	\$384 million
Total	\$256 million	\$203 million	\$1.24 billion	\$597 million	\$1.50 billion	\$800 million

¹ Activity since inception of the Debt Reduction Report requirement under TxDOT Rider 43 which began with FY 2014
 * PV Savings as of the date of the refinancing

Conclusion

It is the policy of the Commission to ensure that all debt programs and transactions are undertaken in the most efficient manner and with the expectation of achieving the lowest cost of capital. The Commission continuously monitors its debt programs to look for opportunities to capture savings.