



Debt Reduction Report

Rider 31, TxDOT Bill Pattern, General Appropriations
Act FY 2020-2021, 86th Legislature

August 31, 2020

Introduction

Through several debt financing programs provided by the Texas Legislature, the Texas Transportation Commission (Commission) and the Grand Parkway Transportation Corporation (GPTC) have been able to deliver additional transportation projects throughout the State of Texas. The Texas Department of Transportation (TxDOT) continually monitors its financing programs for opportunities to reduce debt service costs through refunding, restructuring, refinancing and defeasing existing debt.

In accordance with Rider 31 of TxDOT's bill pattern (General Appropriations Act, HB 1, 86th Legislature, 2019) TxDOT hereby submits its "Debt Reduction Report" outlining the results of its efforts to capture savings on bond indebtedness and reduce debt during fiscal year 2020. Rider 31 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 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 with the report due on or before August 31 of each fiscal year in which the Texas Transportation Commission finds opportunities to refinance its debt."

Debt Savings Efforts in FY 2020

In the fiscal year 2020, record low interest rates provided an opportunity for the department to gain substantial debt service savings through taxable advance refunding transactions. The department generated a record total savings of \$1.49 billion (or approximately \$988 million in savings on a present value basis) by completing six separate refunding transactions in order to obtain savings for the following programs: Highway Improvement General Obligation bonds, Grand Parkway Transportation Corporation System bonds, Central Texas Turnpike System bonds, State Highway Fund Revenue bonds and Texas Mobility Fund bonds as detailed below.

State of Texas Highway Improvement General Obligation Refunding Bonds, Taxable Series 2019

In December 2019, TxDOT refinanced \$706 million in existing Highway Improvement General Obligation debt. The refunding generated a total savings of \$189 million from fiscal years 2020 to 2044 (or approximately \$115 million in savings on a present value basis). The savings represents 16.3% of the bonds refunded, a savings level well in excess of the Commission's guideline of 5%.

Grand Parkway Transportation Corporation First Tier Toll Revenue Refunding Bonds, Taxable Series 2020-A; Subordinate Tier Toll Revenue Refunding Bonds, Taxable Series 2020-B; and First Tier Toll Revenue Refunding Bonds, Series 2020-C

In February 2020, GPTC refinanced approximately \$2.23 billion in existing Grand Parkway System toll revenue bonds and GPTC's 2014 Transportation Infrastructure Finance and Innovation Act "TIFIA" loan for Segments D-G. The refunding resulted in total savings of approximately \$690 million (or approximately \$396 million on a present value basis) which would have been paid from fiscal years 2020 to 2053. The savings represents 17.7% of the bonds refunded, a savings level well in excess of the Commission's guideline of 5%.

Central Texas Turnpike System First Tier Revenue Refunding Bonds, Series 2020-A; First Tier Revenue Refunding PUT Bonds, Taxable Series 2020-B; and First Tier Revenue Refunding Bonds, Taxable Series 2020-C

In March 2020, TxDOT refinanced \$687 million in Central Texas Turnpike System toll revenue debt. The refunding reduced the amount of debt outstanding by \$3.3 million and generated total savings of \$140 million from fiscal years 2020 to 2042 (or approximately \$95 million in savings on a present value basis). The savings represents 20.6% of the bonds refunded, a savings level well in excess of the Commission's guideline of 5%.

State Highway Fund First Tier Revenue Refunding Bonds, Taxable Series 2020

In July 2020, TxDOT refinanced \$359 million in existing State Highway Fund debt. The refunding reduced the amount of debt outstanding by \$17 million and generated total savings of over \$81 million from fiscal years 2021 to 2034 (or approximately \$67 million in savings on a present value basis). The savings represents 18.7% of the bonds refunded, a savings level well in excess of the Commission's guideline of 5%.

State of Texas Highway Improvement General Obligation Refunding Bonds, Taxable Series 2020

Also in July 2020, TxDOT refinanced \$797 million in existing Highway Improvement General Obligation debt. The refunding reduced the amount of debt outstanding by \$2 million and generated total savings of over \$138 million from fiscal years 2021 to 2042 (or approximately \$110 million in savings on a present value basis). The savings represents 13.8% of the bonds refunded, a savings level well in excess of the Commission's guideline of 5%.

State of Texas General Obligation Mobility Fund Taxable Refunding Bonds, Series 2020

In August 2020, TxDOT refinanced \$1.07 billion in existing Texas Mobility Fund debt. The refunding generated total savings of \$251 million from fiscal years 2021 to 2045 (or approximately \$205 million in savings on a present value basis). The savings represents 19.2% of the bonds refunded, a savings level well in excess of the Commission's guideline of 5%.

Cumulative Debt Savings Since FY 2014

The table below presents cumulative debt service savings since the inception of this report in FY 2014.

Cumulative Debt Service Savings Since the Inception of the Debt Reduction Report						
Program	Prior Fiscal Years ¹		FY 2020		Total	
	Gross Savings	PV Savings ²	Gross Savings	PV Savings ²	Gross Savings	PV Savings ²
Texas Mobility Fund Bonds	\$686 million	\$449 million	\$251 million	\$205 million	\$938 million*	\$655 million*
State Highway Fund/ Prop 14 Bonds	\$226 million	\$180 million	\$81 million	\$67 million	\$307 million	\$247 million
Highway General Obligation/ Prop 12 Bonds	-	-	\$327 million	\$225 million	\$327 million	\$225 million
Central Texas Turnpike System Bonds	\$948 million	\$384 million	\$140 million	\$95 million	\$1.09 billion	\$479 million
Grand Parkway Transportation Corporation System Bonds	-	-	\$690 million	\$396 million	\$690 million	\$396 million
Total	\$1.86 billion	\$1.01 billion	\$1.49 billion	\$988 million	\$3.35 billion	\$2.00 billion

¹ Activity since inception of the Debt Reduction Report requirement under TxDOT Rider 31 which includes FY 2014 -FY 2019

² PV Savings as of the date of the refinancing

*Numbers may not sum due to rounding

Conclusion

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