



Debt Reduction Report

Rider 37, TxDOT Bill Pattern, General Appropriations
Act, 84th Legislature, 2015

August 31, 2016

Introduction

Through several debt financing programs provided by the Texas Legislature, the Texas Transportation Commission (Commission) has 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 fiscal year 2016, the Commission and TxDOT achieved debt service savings in excess of \$188 million that would have been paid through 2037 by refunding bonds at a lower interest rate and also reducing the amount of outstanding debt by approximately \$83 million.

In accordance with Rider 37 of TxDOT's bill pattern (General Appropriations Act, HB 1, 84th Legislature, 2015) 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 2016. Rider 37 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 with the report due on or before August 31 of each year."

Debt Savings Efforts

In fiscal year 2016, TxDOT generated debt service savings and reduced outstanding debt through issuing Texas Mobility Fund refunding bonds as follows:

State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2015-A

In September 2015, TxDOT refinanced \$967 million in existing Texas Mobility Fund debt in order to obtain savings. The refunding reduced the amount of debt outstanding by \$56 million and generated total savings of \$129 million from fiscal years 2016 to 2037 (or approximately \$83 million in savings on a present value basis). The savings represents 8.6% of the bonds refunded, a savings level well in excess of the Commission's guideline of 3%.

State of Texas General Obligation Mobility Fund Refunding Bonds,
Series 2015-B

In October 2015, TxDOT refinanced \$281 million in existing Texas Mobility Fund debt in order to obtain savings. The refunding reduced the amount of debt outstanding by \$27 million and generated total savings of \$60 million from fiscal years 2016 to 2037 (or approximately \$32 million in savings on a present value basis). The savings represents 11.3% of the bonds refunded, a savings level well in excess of the Commission’s guideline of 3%. Below is a table that presents debt service savings for FY 2014 through FY 2016.

Cumulative Debt Service Savings						
	Prior Fiscal Years ¹		FY 2016		Total	
Program	Gross Savings	PV Savings*	Gross Savings	PV Savings*	Gross Savings	PV Savings*
Texas Mobility Fund Bonds	\$323 million	\$236 million	\$188 million	\$115 million	\$511 million	\$351 million
State Highway Fund/ Prop 14 Bonds	\$226 million	\$180 million	-	-	\$226 million	\$180 million
Central Texas Turnpike System Bonds	\$948 million	\$384 million	-	-	\$948 million	\$384 million
Total	\$1.497 billion	\$800 million	\$188 million	\$115 million	\$1.685 billion	\$915 million

¹ Activity since inception of the Debt Reduction Report requirement under TxDOT Rider 37 which includes FY 2014 and FY 2015
* PV Savings as of the date of the refinancing

Conclusion

It is the policy of the Commission to ensure that all debt programs and municipal 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 and the current plan is to refinance existing Texas Mobility Fund debt in order to obtain additional savings in early 2017.