



The Office Of State Treasurer  
Denise L. Nappier

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## News

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**GENERAL OBLIGATION BOND SALE SIGNALS MARKET SUPPORT OF  
THE STATE'S EFFORTS TO STRENGTHEN ITS FISCAL HEALTH  
YIELDS \$30 MILLION IN LONG-TERM DEBT SAVINGS,  
RECORD-SETTING LEVEL OF RETAIL ORDERS  
*Credit Ratings Reaffirmed***

HARTFORD, CT -- Connecticut continued to benefit from revitalized market interest resulting from new fiscal discipline measures and a replenished Budget Reserve Fund when it sold \$889.2 million in General Obligation bonds on August 15, State Treasurer Denise L. Nappier said today.

Not only did two of the three bond sales have record setting retail orders, but also the cost of the bonds continued the recent trajectory of reduced bond spreads.

"While we have a ways to go, the municipal finance marketplace has taken notice that Connecticut's fiscal position has turned a corner," Treasurer Nappier said.

The bond sales included \$400 million 2018 Series E Bonds to retire Bond Anticipation Notes issued in December 2017, \$239.2 million 2018 Series F Refunding Bonds, and \$250 million 2018 Series A (Taxable) Bonds issued for new projects. The refunding will provide debt service savings of \$29.6 million over the next nine years.

A total of \$1.25 billion of orders were received from retail and institutional investors for the 2018 Series E and F Bonds. A total of \$778 million in orders were received for the \$250 million of 2018 Series A Taxable Bonds. Because orders exceeded bonds available in some maturities, the State was able to reduce interest rates on the bonds in the final pricing. The overall interest cost was 3.63 percent on the \$400 million 20-year tax-exempt bonds and 3.75 percent on the \$250 million 10-year taxable new money bonds.

"This bond pricing indicates that the market recognizes the State is now demonstrating its commitment to right its ship by exercising discipline in the management of its fiscal affairs," Treasurer Nappier said.

The sales last week achieved a spread of 82 basis points to the benchmark MMD index on the longest maturity offered, which was an improvement over the previous General Obligation ("GO") bond sale in June, which had a spread of 85 basis points on the longest maturity offered.

The June sale, in turn, was an improvement from the March GO bond sale, which had a spread of 96 basis points on the longest maturity.

“This is significant because lower spreads means lower interest costs, which, of course, saves Connecticut taxpayers money,” said Treasurer Nappier. “Our goal is to issue every bond at the lowest possible interest cost attainable in the market at the time of each bond sale.”

Ahead of the sale, each of the four credit rating agencies reaffirmed their credit ratings and outlooks for the State, which are: Moody’s “A1” with Stable outlook; Standard & Poor’s “A” with Stable outlook; Fitch “A+” with Stable outlook; and Kroll “AA-” with Negative outlook.

In addition, Standard & Poor’s wrote: “Should we conclude that substantial income tax revenue above the state’s volatility cap will be available on an ongoing basis to help Connecticut regain budget flexibility and maintain good reserves during periods of economic recovery, we could potentially raise our rating or revise our outlook on the state.”

The \$250 million of taxable new money bonds will be used for construction of the Innovation Partnership Building at the UConn Technology Park in Mansfield; renovation and construction of housing units in various towns across the State; economic development assistance under the First Five program; and funding the Small Business Express Program and the Bioscience Innovation Fund.

The 2018 Series E and F Bonds were offered to individual investors on a priority basis during a one-day retail order period on Tuesday, August 14. Total orders received on these bonds were \$364.6 million – the highest amount on record for GO bonds during the Nappier administration – edging the prior record of \$364.3 million received in November 2008.

Treasurer Nappier customarily gives individual investors priority during bond sales. This practice benefits both the State through a low-cost source of financing and its residents by providing them the opportunity to generate tax-exempt investment income that helps them save for retirement, college, and other personal financial goals.

### ***Treasury Planning To Issue Credit Revenue Bonds to Further Lower Borrowing Costs***

“There may be more good news later this year with the introduction of the new Credit Revenue Bond program,” Treasurer Nappier added.

Credit Revenue Bonds would be sold in place of GO bonds. Approved by the General Assembly in 2017 on the recommendation of Treasurer Nappier, the bonds would be backed by a secure revenue stream from state income tax receipts. Implementation of the program is under study, including feedback from rating agencies and identification of the optimal time to introduce the bonds into the marketplace.

Decreasing the amount of GO bonds issued, while issuing Credit Revenue Bonds instead, may further lower the State’s borrowing costs and has the added benefit of providing a scarcity value to the State’s outstanding GO bonds, which Wall Street may appreciate.

The Treasurer's Office estimates that utilization of the new Credit Revenue Bond structure for last week's sales could have yielded \$42 million in additional savings on the tax-exempt bonds over the next ten years, according to an analysis prepared by the Office's financial advisor on the sale. The estimated savings could result from improved credit ratings, lower interest costs, and a bond structure commonly used for tax-backed revenue bonds.

### ***Bond Sale is Second to Include New Covenant***

The bonds sold on August 15 are the second to include a bond covenant that commits the State to four distinct financial measures adopted by the General Assembly to exercise fiscal discipline over the next five years. The bond covenant includes a pledge that the State will address its long-term liabilities, rein in spending and borrowing, and rebuild its Budget Reserve Fund.

The covenant prohibits the State from altering these fiscal restraints except in cases where the Governor has declared an emergency and three-fifths of each chamber of the General Assembly votes in support of a change for that year.

It is estimated that the Budget Reserve Fund will receive its largest ever deposit of approximately \$940 million, which would boost the reserve fund balance to \$1.15 billion when the Fiscal Year 2018 books are finalized this fall.

The bonds were offered through an underwriting syndicate led by Siebert Cisneros Shank & Co. as senior underwriter.

The bonds are scheduled to close on September 13, 2018. Disclosure counsel are Day Pitney, LLP and Soeder & Associates. Tax counsel are Robinson & Cole and Soeder & Associates. Financial advisors are Acacia Financial Group, Inc. and PFM Financial Advisors LLC.

### ***Treasurer Nappier's Debt Refinancing Program***

Connecticut typically issues bonds with 20-year maturities, with provisions that allow the State to pay them off after 10 years without penalty. Savings are achieved by refinancing bonds to lower interest rates as well as refinancing longer maturity bonds with shorter maturity, lower cost bonds.

These refundings are planned by the Treasury's experienced in-house debt management specialists in consultation with external consultants, and are completed independently of legislative and State Bond Commission action, which is required for new money sales.

The Treasurer's Office has refinanced or defeased \$14.3 billion in bonds through the execution of 88 separate financing transactions since Treasurer Nappier took office in January 1999. Total refunding savings on such bond sales now exceeds \$1.2 billion.

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