



The Office Of State Treasurer  
Denise L. Nappier

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## News

FOR IMMEDIATE RELEASE  
October 23, 2018

### **SALE OF TRANSPORTATION BONDS DRAWS RECORD-BREAKING INVESTOR INTEREST**

HARTFORD, CT – The sale of \$850.1 million of Special Tax Obligation (“STO”) Transportation Infrastructure Bonds attracted record levels of demand from individual investors totaling roughly half a billion dollars, resulting in lowered interest rates in many maturities, State Treasurer Denise L. Nappier announced today.

The STO bond sale, which is scheduled to close on October 25<sup>th</sup>, consisted of two series: the first for \$750 million, 2018 Series B bonds, will fund transportation infrastructure improvements statewide; and the second for \$100.1 million, Series C bonds, will refinance existing bonds for savings.

The refunding bonds will provide \$12.4 million of debt service savings over the next eight years, with a true interest cost of 3.02 percent. Since Treasurer Nappier took office in 1999, her administration has saved taxpayers more than \$1.2 billion through defeasing and refunding state bonds.

“This bond sale will help finance critical improvements to the State’s aging transportation infrastructure, and not a moment too soon. Still, in order to be successful from a longer term perspective, given the magnitude of our infrastructure requirements, Connecticut will need a more robust and forward-looking approach with innovative capacity building financing tools, such as public-private partnerships and alternative revenue sources,” Treasurer Nappier said. “No amount of success at the bond market can generate sufficient funds to adequately address the state’s aging infrastructure, especially considering the State’s significant fiscal challenges.”

The sale commenced on Monday, October 15<sup>th</sup> with a one-day order period solely for individual investors. Retail orders totaled more than \$455 million, representing nearly 83 percent of the bonds available that day -- a record for any bond sale in the history of the State.

The institutional order period commenced the following day, where total orders approached \$1.2 billion for the remaining \$395 million in bonds offered. Follow-up from individual investors resulted in an additional \$23 million in retail orders, bringing total retail orders for the bond sale to \$478 million.

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The State Treasurer's Office gives individual investors priority during bond sales. This practice benefits both the State through a low-cost source of financing and its citizens by providing them the opportunity to generate tax-exempt investment income.

Taken together, orders over the two-day order period came in at just under \$2 billion. With many maturities oversubscribed, the STO bonds were repriced to lower yields. Interest rates were lowered from one to five basis points across more than half of the maturities, bringing the true interest cost of the twenty-year, new money STO bonds to 3.96 percent.

The spread to the benchmark MMD index over the final maturities ranged from 70 to 75 basis points, which was a 2- to 5-basis point improvement from the previous STO transaction in January. This continues a positive trend for Connecticut bond sales that started with a June General Obligation ("GO") bond sale and continued with an August GO bond sale.

The new money bonds will finance state Department of Transportation infrastructure improvement projects, including the construction, repair and rehabilitation of the State's highways and bridges, mass transportation and transit facilities, waterways, maintenance garages and administrative facilities.

Specific projects that will receive funding include: the I-91 / CT 15 Interchange project in Hartford; the I-95 Gold Star Memorial Bridge; the Walk Bridge replacement project in Norwalk; the I-84 Waterbury Improvement Program; and the purchase of an additional 60 new M8 rail cars for the New Haven Rail Line fleet.

Connecticut implemented one of the first dedicated transportation finance programs in 1984. In recent years, the State has made structural improvements to strengthen the STO program and the upcoming November ballot includes a constitutional amendment that would prohibit the legislature from using the fund for non-transportation purposes, further solidifying it.

Ahead of the sale, Standard & Poor's, Fitch Ratings and Kroll Bond Rating Agency rated the new STO Series 2018 B&C bonds and affirmed the rating on all outstanding STO bonds at AA, A+ and AA+, respectively, all with a Stable Outlook.

Urdike, Kelly & Spellacy and Lewis and Munday served as co-bond counsel for the sale. The underwriting team was led by Raymond James & Associates. Pullman & Comley served as underwriters' counsel. Public Resources Advisory Group and Public Financial Management were co-financial advisors on the program.

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