The Office Of State Treasurer
Denise L. Nappier

News

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TREASURER NAPPIER LEAVES THE STATE'S DEBT MANAGEMENT PRACTICES IN SOLID SHAPE

STRONG INVESTOR DEMAND, IMPROVED RESULTS IN 2018

HARTFORD, CT – The management of the State's debt is poised for further fiscal improvement, after positive results in 2018 and progress toward a new bond program that is expected to save State taxpayers money, State Treasurer Denise L. Nappier said today.

"While Connecticut's economic recovery has been slower," Treasurer Nappier said, "the Treasury has provided a foundation for restoring the State's credit ratings through prudent management, innovative thinking, and consistent support for fiscal restraint."

She cited the following achievements as indications of the State having efficiently managed its bond sales and trending in a positive direction:

- In October, a Special Tax Obligation (STO) transportation bond sale resulted in $478 million in orders from individual investors. An August General Obligation (GO) bond sale drew $365 million in retail orders. Each of these retail sales figures represents a new record level of demand from individual investors for the respective bond program.
- The cost of these bonds continued the recent trajectory of reduced bond spreads to the industry's benchmark -- the MMD Index -- reflecting increased investor confidence in the State's fiscal condition.
- In June, for the first time, the State added a bond covenant to a GO bond sale that commits the State to four distinct financial measures adopted by the General Assembly to guarantee fiscal restraint. The five-year bond covenant will continue to be included on all GO bond sales up to July 1, 2020.
- On the recommendation of Treasurer Nappier, the Treasury proposed a higher rated, lower cost alternative new credit to the GO bonding program with assistance from Barclays and Ramirez & Co., Inc. After months of work to develop a structure that incorporated the best practices in the municipal market, the General Assembly adopted legislation that established the legal underpinnings of the new credit as a crucial first step in setting up the program. The Credit Revenue Bonds will be secured by the withholding

portion of the State's personal income tax collections. Early marketplace response to these new bonds -- which may be issued starting in 2019 -- has been positive.

Also, the Treasury, through a rigorous Request for Proposal process designed to ensure efficiency and competitive pricing, has increased the number of women-owned, minority-owned, Connecticut-based and emerging firms with which the Debt Management Division does business. Twenty-four such firms, or 38 percent of all firms, won business in 1999, compared to 38 such firms, or 51 percent of all firms, in 2018. These firms received nearly $4 million in fees out of a total of $12 million paid by the division to support five bond sales during Fiscal Year 2018.

Two noteworthy service providers are Siebert Cisneros Shank & Co. and Ramirez, which are the first woman-owned and African American-owned bond underwriting firm and the first Hispanic-owned firm, respectively, to serve in the influential, lucrative position of senior manager for State bond offerings in the history of Connecticut. During Treasurer Nappier’s administration, Siebert Cisneros Shank has served as senior manager or co-senior manager on $25.2 billion in bonds sold and Ramirez has senior or co-senior managed $13.5 billion in bonds sold.

In addition, the Treasury has sought to do business with longstanding majority-owned firms with a demonstrated commitment to improving diversity and inclusiveness. “This effort has had a ripple effect,” Treasurer Nappier said, “as many of these firms have hired women and minorities for their management team.”

“What is more relevant and meaningful about our experience in opening doors in the planning and issuing of bonds is this: Since the beginning of my administration, we have achieved exceptional bond price performance and saved Connecticut taxpayers more than $1.2 billion over the life of the bonds through refinancings and other cost-saving measures,” Treasurer Nappier said.

Following deterioration in the State’s credit profile, it appears now that the State is finally seeing revitalized market interest resulting from material economic progress, including a projected surplus in Fiscal Year 2019, lower unemployment, and a more robust Budget Reserve Fund.

“The State still faces considerable fiscal challenges, but the marketplace has recognized that Connecticut is committed to righting its ship by exercising discipline in the management of its fiscal affairs,” Treasurer Nappier said.

Advantages of Credit Revenue Bonds

Decreasing the amount of issued or outstanding GO bonds by 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.

Any savings from Credit Revenue Bonds would be dedicated to the State's Budget Reserve Fund, which is expected to improve the credit ratings of the GO bonds over time.

Since the legislation was adopted, the Treasury has worked with the state Department of Revenue Services and the Office of Policy and Management, as well as its bond financing team, and is finalizing the structure and documentation of the new credit, taking into account a recently revised rating agency methodology and investor feedback. Upon completion, the State at its option can issue bonds under the Credit Revenue program instead of the GO program, when market conditions indicate potential savings.

"This is an important new tool available to the next Treasury administration for managing State borrowing costs that can be implemented based on market conditions," Treasurer Nappier said.

Enhanced Investor Services Website

To improve transparency about the State's bonding programs, Treasurer Nappier enhanced the www.buyctbonds.com website in 2017, making it much more user-friendly to investors.

The expanded BuyCTBonds website describes each of Connecticut's borrowing programs, and also provides key current economic information and financial data as well as archival documents such as Official Statements and rating agency reports.

The website also offers a handy step-by-step guide to purchasing bonds and a list of qualified brokers.

"We want to make it easy for the citizens of Connecticut to learn how they can invest in their own backyard," Treasurer Nappier said. "Buying Connecticut bonds is an investment in the State's future growth and vitality."

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