



The Office Of State Treasurer
Denise L. Nappier

News

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TREASURER NAPPIER ANNOUNCES SUCCESSFUL GENERAL OBLIGATION BOND SALE DESPITE LOWERED CREDIT OUTLOOKS

HARTFORD, CT – State Treasurer Denise L. Nappier announced today that a \$550 million General Obligation bond sale drew interest from individual and institutional investors alike, and resulted in a low overall interest rate of 3.07 percent -- the lowest cost of funds on any comparable state general obligation bond issue in the last 15 months -- despite negative outlooks from three out of four credit rating agencies.

“Every dollar that we save today matters as the State looks to trim its budget during these challenging economic times,” said Treasurer Nappier.

“The bond financing team used an innovative structure for the transaction that allowed it to modify bond maturity sizes based on investor demand. In addition, we conducted a retail marketing campaign with the theme “Invest in Connecticut” and expanded outreach to large institutional investors. Outreach is important to our bonding program to keep our citizens informed of the benefits of investing their savings right here in Connecticut,” Treasurer Nappier said.

All of these strategies combined, according to Treasurer Nappier, helped keep interest rates on the sale lower than they might have been, thereby saving Connecticut taxpayers millions of dollars over the next 20 years.

The sale received more than \$113 million in orders from individual investors (more than 20% of the bonds sold), primarily during a special one-day retail only order period on Tuesday, March 15. This allowed individual investors first priority during the sale, which benefits State citizens by providing them with a tax-exempt investment opportunity and lowers the cost of the financing for the State.

Bonds were offered to institutional investors on Wednesday, March 16, following an internet roadshow that was distributed electronically with the Preliminary Official Statement. Staff from the Treasury and the Office of Policy and Management held 19 one-on-one conference calls with institutional investors. The investors who participated in these presentations placed orders for \$196.7 million of the bonds. The State received a total of \$462.8 million in orders from institutional investors.

In advance of the bond sale, officials from the Treasurer's Office and the Office of Policy and Management conducted in-person meetings with the four major credit rating agencies in Hartford. Moody's Investors Service, Standard & Poor's, Fitch Ratings and Kroll Bond Ratings subsequently reported that Connecticut's General Obligation bonds will remain rated at Aa3, AA, AA and AA, respectively.

Two of the credit rating agencies, Moody's and Kroll, placed the State's General Obligation bonds on negative outlook. Fitch affirmed its stable outlook, while Standard & Poor's continued its negative outlook, which was first put in place in March 2015. A "negative outlook" generally means that a credit rating will be under review for one to two years.

Spreads to market indices on this sale were somewhat higher than the last General Obligation bonds sold in November 2015 due to the negative credit pressures, but the increase was minimized by the successful debt management strategies employed on this sale. The resulting spreads compared favorably to other deals in the market last week, taking into account credit ratings and outlooks, transaction size, and structure. The somewhat higher credit spreads were more than offset by generally lower interest rates, resulting in a 3.07 percent overall interest cost on this bond sale as compared to 3.26 percent interest for the November sale.

Proceeds from the sale will be used to fund \$335.7 million of state building projects and other purposes, \$93.6 million in various grant programs, \$75.7 million in improvements to Connecticut colleges and universities, \$30 million in Town Road Aid, and \$15 million for the Local Capital Improvement Program.

"These bonds will fund critical infrastructure improvements and represent an investment in our State's future while creating more jobs and stimulating our economy," said Treasurer Nappier.

The bonds were offered through an underwriting syndicate led by Ramirez & Co., Inc., a Hispanic-owned firm that is one of the nation's leading bond underwriters (currently ranked #8 of all bond underwriters nationwide since January 1, 2016).

"Ramirez & Company did an excellent job navigating this bond sale in the market and optimizing the results for the State, and once again demonstrated that doing business with minority-owned firms isn't just about expanding opportunity – it's about improving the bottom line," said Treasurer Nappier. Ramirez became the first Hispanic-owned firm ever to senior manage a State of Connecticut bond offering in October 2013 when Treasurer Nappier appointed them to lead the State's historic and successful issuance of \$560 million of GAAP Conversion bonds.

The closing date for the bonds is scheduled for March 30. Disclosure counsel are Day Pitney LLP and Finn Dixon & Herling LLP. Tax counsel are Robinson & Cole LLP and Soeder & Associates, LLC. Financial advisors are Acacia Financial Group, Inc. and A.C. Advisory.

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