The Office Of State Treasurer
Denise L. Nappier

News

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CONNECTICUT LOWERS DEBT COSTS DESPITE MARKET CONDITIONS, RATING ACTIONS

Transaction Saves Taxpayers $75 Million Through Debt Refinancing

HARTFORD, CT – "Connecticut proved resilient in the bond market this week," commented State Treasurer Denise L. Nappier upon the completion of a $501.4 million General Obligation refunding bond sale. The sale resulted in a savings of $75.5 million in debt service costs over the life of the refinanced bonds.

"While recent ratings actions certainly impacted the bond sale, Connecticut still sold its bonds at relatively low interest rates, and by that measure, the transaction can fairly be described as a success. That said, the spreads on these bonds are somewhat higher than what we saw in March, which is attributable to a number of factors beyond the ratings action, including the Federal Reserve's comments last week that interest rates are on track to increase this year," Treasurer Nappier said.

Last week, Standard & Poor's and Fitch Ratings reduced the State's rating by one notch to AA- with stable outlooks. Moody's Investors Service and Kroll Bond Ratings affirmed their prior rating of Aa3 and AA, respectively, both with negative outlooks.

The interest rates on this week's sale were lower than in March due to lower overall interest rates. The interest rate on the 5 year maturity was 6 basis points lower than in March, and the rate for the 10 year maturity was 19 basis points lower. The total interest cost on the eleven-year bond issue was 2.11 percent.

Connecticut typically issues bonds with twenty-year maturities, with provisions that allow the State to pay them off after ten years at no extra cost. Savings are achieved by refinancing bonds at lower interest rates -- taking full advantage of the extended period of low interest rates experienced in recent years -- as well as refinancing longer maturity bonds with shorter maturity, lower cost bonds.

The Nappier administration has an active debt refunding program which has saved taxpayers $1.1 billion to date.

"Every dollar that we save today matters as the State looks to trim its budget during these challenging economic times. With interest rates close to historic lows, this debt refinancing transaction lowers the State's debt costs, and is consistent with our ongoing commitment to proactively manage the State's debt. Given that the State's bonding program finances critical infrastructure, my job is to make sure that our investments are funded at the lowest possible cost for taxpayers," Treasurer Nappier said.

Individual investors ordered more than $57.4 million of the bonds, primarily during a special one-day retail only order period on Monday, May 23. This allowed individual investors first priority during the sale, which benefits State citizens by providing them with a tax-exempt investment opportunity.

Bonds were offered to institutional investors on Tuesday, May 24, following an internet roadshow that was distributed electronically with the Preliminary Official Statement. Staff from the Treasury and the Office of Policy and Management also held one-on-one conference calls with institutional investors. The investors who participated in these presentations placed orders for $184.6 million of the bonds. The State received a total of $518.8 million in orders from institutional investors.

Bank of America Merrill Lynch and Williams Capital Group are co-senior managers for the bond sale. Williams Capital is one of the largest minority owned investment banking firms in the country and is headquartered in New York with offices in Westport, CT.

Day Pitney LLP and Finn Dixon & Herling LLP serve as disclosure counsel, and Robinson & Cole LLP and Soeder & Associates LLC serve as tax counsel. Acacia Financial Group, Inc. and A.C. Advisory are financial advisors for the sale. The bond sale is scheduled to close on June 14, 2016.

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