The Office Of State Treasurer
Denise L. Nappier

News

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TREASURER NAPPIER REPORTS HIGHLY SUCCESSFUL BOND SALE WILL YIELD $94.8 MILLION IN SAVINGS -- LARGEST IN STATE HISTORY

State's Credit Ratings Affirmed by Four Major Credit Rating Agencies

HARTFORD, CT – State Treasurer Denise L. Nappier announced today that Connecticut taxpayers will save $94.8 million over the next 11 years from a recent refinancing of outstanding state debt. The General Obligation bond sale, conducted last week, was comprised of $822 million of refunding bonds, 2014 Series C, to refinance existing bonds at lower interest rates.

Treasurer Nappier said, "This refunding transaction produced the greatest savings for taxpayers of any bond refunding transaction in the history of the State! This is another example of sharpening our pencils and availing ourselves of market conditions to get the lowest possible cost for our State's capital borrowing program, and do so prudently."

Total savings to taxpayers of all debt refundings and defeasances completed during the Nappier administration now exceed $941 million.

Bonds were offered with maturities ranging from 2015 through 2025 at yields ranging from .06% to 2.66%. The overall interest cost on the refunding bonds is 1.55 percent. The State structured the transaction to provide level savings over each of the next eleven and a half years of about $8.25 million per year, consistent with past practice.

Based on the strong demand from investors and favorable market conditions, the transaction was increased to refund additional bonds for added savings. A large portion of the bonds being refunded are callable at par on June 4, 2014, and do not require a refunding escrow, which also contributed to the sizable refunding savings.

"On average, interest rates on municipal bonds have decreased by more than a quarter of a percent since the beginning of the year for maturities from one to ten years, making this refunding transaction very well-timed," said Treasurer Nappier.

In other good news, the four credit rating agencies analyzed and reaffirmed the State's high quality bond ratings for this refunding bond issue in advance of the sale. Moody's Investors Service, Standard & Poor's, Fitch Ratings, and Kroll Bond Ratings reported that Connecticut's General Obligation bond ratings will remain rated at Aa3, AA, AA, and AA, respectively. The rating affirmations followed detailed conference calls with each of the credit rating agencies, which included a review of state tax revenues and the midterm budget adjustments.

Treasurer Nappier said, “The reaffirmation of Connecticut’s creditworthiness reflects the decisive actions taken during the recent legislative session to adjust the budget in light of revised revenues. Although the ‘April Surprise’ was experienced by many states across the nation, Connecticut came through with a budget surplus for the current fiscal year, even higher than when the budget was originally passed.”

Refunding bonds were offered on Monday and Tuesday of this week to individual investors during a special retail order period. A total of $198 million in retail orders was entered during the two-day retail order period -- the highest level since 2009. Treasurer Nappier added, “It is always good to have strong demand during the retail order period to strengthen the overall sale and achieve the lowest interest cost for the bonds.”

Bonds were offered to institutional investors on Wednesday May 21, and the bond closing is scheduled for June 4.

Morgan Stanley is the senior manager and led an underwriting syndicate of bond underwriters. Day Pitney LLP and Finn Dixon & Herling LLP are serving as disclosure counsel for the General Obligation sales, with Robinson & Cole LLP and Soeder & Associates, LLC serving as tax counsel. Acacia Financial Group, Inc. and A.C. Advisory are acting as financial advisors.

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