The Office Of
State Treasurer
Denise L. Nappier

News

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STATE TREASURER'S OFFICE COMPLETES SUCCESSFUL BOND SALES;
GO Bond Sale Undeterred by Fitch Credit Rating Drop
Debt Refundings Save $23.6 Million for the State"

The State Treasurer's Office concluded three successful bond sales to provide funding for local school construction projects, capital improvements at the University of Connecticut, and a refinancing of existing bonds to lower interest rates for savings. Record low interest rates were achieved -- in part, because of strong demand from individual investors -- and significant debt service savings will be achieved for both the State and the University of Connecticut over the life of the bonds.

State Treasurer Denise L. Nappier stated, "We stuck to our time-honored strategy of affording individual investors an opportunity to buy in early, and we were grateful to see a robust retail response to all of our offerings." Nappier added, "The success of these sales demonstrates that investors remain confident in Connecticut bonds as a worthy investment, and in the resiliency of the State as it faces its budgetary challenges.

All three bonds sales included retail order periods to allow individual investors the opportunity to place and fill their orders for bonds in advance of large institutional investors. This targeted effort resulted in more than $245 million of retail orders being placed for the three bond sales.

"The strategic refinancing of debt at historic low interest rates is how we work to effectively manage the State's debt. During my administration, we have saved nearly $644 million over the life of the bonds. The savings generated by these recent sales alone – estimated at roughly $23.6 million -- will benefit the State and the University for many years to come."

"The success of these recent sales aside, the State must still proceed carefully," said Treasurer Nappier. "We must continue to manage our existing debt as aggressively as possible, and our Governor and Legislature must avoid additional borrowing to close budget gaps if the State is to avoid the very real prospect of having to pay more for the cost of money."

The results of these recent transactions are summarized below:

- The first sale was $133.2 million of University of Connecticut General Obligation Bonds and included $97.1 million in bonding for new projects and $36.1 million in refunding bonds. More than $80 million of the bonds were purchased by individual investors, mostly Connecticut citizens. The sale was able to achieve a low overall interest cost of 3.62% on the 20-year new money bonds -- the lowest overall interest cost on any such new money bonds since the inception of the UCONN 2000 bonding program in 1995. These bonds were issued as part of the $3.0 billion state investment program originally known as UCONN 2000, a program which has been renewed and extended twice by the legislature (once in 2003 and most recently in 2010 to fund improvements at the UCONN Health Center). The pricing on this negotiated sale compared favorably to a Penn State University transaction on the same day, giving further indication of the impact of the support of Connecticut investors on the success of this transaction. The $33 million in refunding bonds generated savings of $1.8 million over the life of the bonds. The bond sale was senior managed by Wells Fargo and closed on May 25th.

- The second offering was also for the University of Connecticut and consisted of $48 million in Student Fee Revenue Refunding Bonds. More than $33 million of these bonds were purchased by individual investors. The Student Fee Revenue Refunding bonds were also issued with historically low true interest cost of 3.7%. The refunding will provide the University with debt service savings of $9.5 million over the life of the bonds. The senior bond underwriter was Loop Capital, and the bonds closed on June 16th.

- The last sale was $458 million of State General Obligation bonds including $200 million to fund local school construction and $258 million in bonds to refinance existing bonds to lower interest rates. This sale also attracted strong support from retail buyers who put in orders for more than $132 million of the bonds during a two-day retail order period. The refunding portion of the issue will provide over $12.3 million in debt service savings over the life of the bonds. This senior bond underwriter was JPMorgan, and the bond sale is scheduled to close on June 23rd.

Treasurer Nappier noted, “As we predicted, the downgrade in the State’s General Obligation credit rating by Fitch Ratings from AA+ to AA did not have a negative impact on the sale.” Earlier this month, Fitch Ratings announced that it downgraded the rating on the State’s General Obligation (GO) bonds from AA+ with a Negative Outlook to AA with a Stable Outlook. The one notch decrease in the State’s rating from Fitch brings it to a level comparable to the State’s credit ratings from the other two credit rating agencies: Moody’s Investors Service rates the State’s GO bonds at Aa2 with a Stable Outlook and Standard and Poor’s rates the State’s GO at AA with a Stable Outlook. Treasurer Nappier stated at the time, “While Fitch’s decision is disappointing, we do not anticipate that it will have much impact, if any, on the State’s cost of debt given that the State’s General Obligation bonds still carry three solid “AA” credit ratings -- all with Stable Outlooks.”

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