

THE BOND BUYER

Connecticut bond sale features new wrinkle

By

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Connecticut's use of a forward-delivery bond in its \$1 billion of special tax obligation bonds was a first for the state and well-received, Treasurer Shawn Wooden said.

Under such a structure, the state sells tax-exempt refunding bonds to take advantage of low-interest market rates, then delivers the refunding bonds in five months when the bonds to be refunded can be legally redeemed.



"Connecticut's recent credit rating upgrade generated greater demand from investors," state Treasurer Shawn Wooden said.

Last week's [sale](#), with Goldman Sachs as lead manager, included \$875 million of new-money bonds that will provide \$1.03 billion of new funding for transportation projects. The sale also included two series of refunding bonds to refinance existing bonds for a net present value savings of \$30.2 million.

Wooden said the sale achieved an overall interest cost of 2.12%, a record low cost for the STO bonding program. Connecticut saw a 10-year yield of 1.21%, +30/AAA, versus a May 2020 pricing that was spread +120/AAA, and a hefty 2.17% yield.

Retail orders received during this one-day priority period totaled \$512 million, also setting a record for the STO bond program, and marking the second highest level on any state bond sale. Orders from both retail and institutional investors reached \$6 billion, far exceeding the bonds offered and allowed the state to lower its borrowing costs in the final pricing.

State officials are also preparing to sell up to \$800 million of GO bonds in May and June.

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The state received its first [upgrade](#) in 20 years on March 31 when Moody's Investors Service elevated the state's GOs one notch to Aa3 from A1. Moody's cited Connecticut's rebuilt reserve levels.

The state received an upward outlook revision from S&P two years ago, to positive from stable. By contrast, Connecticut received across-the-board downgrades in 2017.

S&P Global Ratings and Fitch Ratings rate the state's GOs A and A-plus, respectively. Kroll Bond Rating Agency rates them AA-minus. All assign stable outlooks.

Proceeds will fund projects that include the Interstate 95 Gold Star Memorial Bridge in New London; the I-84 improvement program in Waterbury; I-91/state route 15 interchange improvements in Wethersfield and East Hartford; the New Haven rail yard master complex; replacement of the Walk Bridge in Norwalk; and new rail cars for the Metro North Railroad New Haven line.