

Sale of Connecticut bonds offers encouraging glimpse of a state with an improving financial picture



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For investors, it was like the kickoff of an important football game.

A crowd of more than 20 people gathered at 11 in the state treasurer's conference room Thursday morning in Hartford. That was the time for the bidding on a refinancing of Connecticut state bonds.



State treasurer Shawn Wooden oversaw a bond refinancing that reflected the state's improved financial and bond rating outlook. (Christopher Keating)

What might ordinarily seem arcane and obtuse to the general public was actually an exciting time for those gathered in the room. When the bids came in much better than expected, the crowd burst into applause, like fans cheering a touchdown.

The refinancing of Connecticut general obligation bonds at an interest rate of 1.67 percent tells a much broader story that the state is getting back on its feet financially, officials said Thursday. Like a mortgage rate, the lower the interest rate for the bonds that the state sells, the less the state will have to pay out over time.

The multiple factors in the financial improvement are Gov. Ned Lamont's "debt diet" to reduce borrowing, an operating surplus of \$700 million in the just-completed fiscal year, improved bond rating outlooks, better-than-expected tax collections, the largest rainy day fund in the state's history, adopting the state budget in June in timely fashion, and the refinancing of the pensions for state employees and public school teachers, officials said.

State treasurer Shawn Wooden said the low bid from Thursday's winner, J.P. Morgan Securities LLC, and the competitive prices from other financial powerhouses, show that Wall Street knows that Connecticut is moving in the right direction. He described the winning bid as "incredible" when compared to previous numbers.

"This is much better than anticipated," Wooden said in an interview in his Hartford office. "It's another step in the right direction for Connecticut. ... Reducing the amount of borrowing is seen as a positive for the investor community."

While Connecticut has been flooded with negative economic news over the past decade, Wall Street is known for looking ahead and now sees better times ahead, Wooden said. Financial investors are looking for trends and sometimes see things that the general public misses when they are faced with stagnant wages and benefits.

"Wall Street invests on tomorrow," Wooden said. "It's always projecting. Is the state heading in the right direction? It's all about the future."

But Wooden warned that Connecticut has certainly not solved all of its long-running problems, which include years of slow economic and job growth.

"This is not claiming victory," Wooden said. "We've got to stay the course and do more over a longer period of time to right the ship."

Joseph McGee, vice president at the Fairfield County Business Council, said Connecticut's financial outlook is improving because the state is borrowing less than in the past and collecting more in taxes at a time when the national economy is growing.

"This debt diet is really improving our bond ratings," said McGee, a former state economic development commissioner. "The rainy day fund is unbelievable. The

fundamentals of state financing are improving. Taxes are coming in stronger than thought. I don't think that's being Pollyannish."

A key factor, McGee said, was that Lamont personally traveled to Chicago, Boston and New York City on an "investor road show" with Wooden and the state budget chief, Melissa McCaw. They met personally with investors, including some who flew in from California to attend the meeting in Chicago.

Like Wooden, McGee said that state officials are keenly aware of the ongoing challenges that cannot be resolved in one day with a successful bond sale.

"Our population is not growing," McGee said. "We need to do infrastructure.

I'm not trying to paint a picture that there are no problems in Connecticut."

Wooden agreed, saying that the entire state government must keep its eye on spending and taxes in order to maintain the financial improvements.

"No single treasurer, no single governor, no single legislature can act in isolation," Wooden said. "The governor and I worked very closely on the teacher restructuring."

Back at the treasurer's office, the knowledgeable insiders in the conference room were pleased Thursday when the best bid on the bonds flashed on the screen at 1.67 percent.

"Awesome," said Bettina Bronisz, a debt management specialist in the treasurer's office who focuses on general obligation bonds. "Terrific. I was thinking 1.80. This is awesome."

The biggest names on Wall Street submitted bids on the bonds, including Morgan Stanley, Goldman Sachs, UBS, Wells Fargo, and Bank of America Merrill Lynch. The highest bid came in at 1.81 percent, which would have been a winning bid in earlier times.

In the refinancing of \$240 million in bonds, the state will save nearly \$43 million over the next 10 years. The bonds had originally been sold 10 years ago at 4.82 percent, but the refinancing drops it to 1.67 percent.

"Taxpayers of Connecticut are paying less for us to borrow money," Wooden said. "That's the name of the game."