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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

NEWS RELEASE
FOR IMMEDIATE RELEASE—March 8, 2012

Treasurer Pearce Announces State Bond Sale Saves \$5.4 Million

MONTPELIER— Keen interest in buying Vermont bonds and record low interest rates has resulted in the State paying the lowest borrowing costs on record in decades. In addition, the \$69 million refunding portion of this week's bond sale will generate \$5.4 million in budget savings over the next 13 years.

"In a very diverse sale of four different bond offerings totaling \$132 million, the State averaged a true interest cost of just 2.11 percent," said State Treasurer Beth Pearce. "We had originally planned a two-day sale period for the Citizen Bonds and the Refunding Bonds, but interest was so great the sale was completed in just one day. The quality of our highly rated bonds allowed us to pay less in borrowing costs, which translates into further fiscal savings for Vermont taxpayers."

The bonds settle, or close, on March 21, 2012. The overall borrowing costs to the State ranged from 0.67 percent for the 2012 Series C federally taxable General Obligation Bonds to 2.99 percent for the 2012 Series B General Obligation Bonds.

The Series A Vermont Citizen Bonds were offered first. The \$25 million in bonds sold out by noon the first day. The true interest cost on the bonds was 1.43 percent. True interest costs include both the cost to the State for interest payments and the cost for issuing the bonds. The final maturity for the Citizen Bonds is 10.5 years. A bond is said to mature on the date when the final debt and interest payment on a bond is paid in full.

The \$69 million in 2012 Series D General Obligation Refunding Bonds were also offered on Monday and sold out by 3 p.m. The final maturity on the bonds is 13 years. The true interest cost was 1.76 percent. The Series D bonds refinanced older bond issues that had interest payments ranging from 3.5 percent to 5 percent.

"By issuing the refunding bonds we can take advantage of lower interest rates and reduce our borrowing costs. It is similar in concept to a homeowner refinancing a mortgage," explained Pearce.

On Wednesday, the State held two additional competitive bond sales. The \$28 million in Series B General Obligation Bonds have a final maturity of 18.5 years and a true interest cost of 2.99 percent. The State received bids on the Series B bonds from 10 banks, with the winning bid coming from Citi. The \$10 million 2012 Series C General Obligation Bonds are federally taxable, but still exempt from Vermont income tax. The State received nine bids on the Series C bonds, with the winning bid coming from Piper Jaffray. The final maturity is 4.5 years with a true interest cost of 0.67 percent.

"The Series C sale proceeds will fund infrastructure needs for the Vermont Telecommunication Authority," said Deputy State Treasurer Steve Wisloski. "Since some of the expenditures could include items such as cell towers and fiber optic cable that may be leased for private use, we had to offer the bonds as federally taxable. However, by issuing the taxable bonds with shorter maturity dates, we were able to fund a critical infrastructure need with minimal borrowing costs."

The money raised by Vermont's bond sales finances school construction, major maintenance and construction at UVM and the Vermont State Colleges, pollution control, safe drinking water, public safety, affordable housing, maintenance of State buildings, and a wide range of other projects. Vermont bonds are rated triple-A by Moody's Investor Service and Fitch Ratings, the highest rating available to government issuers. Vermont bonds also are rated AA+ by Standard & Poor's Ratings Service, the second-highest rating.

"When I look at the positive outcome for this bond sale, it is gratifying to note that it's Vermont's continuing track record of strong fiscal management, conservative debt practices and teamwork between my office, the Governor and the State Legislature that is yielding these long-term financial savings for the taxpayers as a whole," said Pearce.

The March bond sale was originally scheduled for October 2011, but was postponed after Tropical Storm Irene caused widespread destruction in the state. The sale was delayed to allow the State to assess the impacts and costs related to the storm.