

Bond Case Briefs

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State Refinances \$1 Billion of Bonds, Saving Taxpayers Over \$180 Million.

State Treasurer John Chiang today announced the successful sale of \$1.09 billion in State general obligation bonds, which included the refinancing of approximately \$1 billion in previously-issued bond debt.

“This successful sale is a strong indicator that investors are bullish about the Golden State. From approval of a rainy day fund to aggressively paying down debt accumulated during the Great Recession, California has made significant strides to put its fiscal house back in order and Wall Street has taken notice,” said Chiang. “Importantly, my office was also able to save taxpayers more than \$180 million in debt service payments by refinancing more than \$1 billion in previously-issued, higher interest rate borrowings.”

Since he took office earlier this year, he has carried out six different re-financings that will together save taxpayers more than \$1.79 billion over the life of the bonds.

Some key facts from the sale:

- Final Size: \$1.09 billion, the largest competitive sale in the U.S. markets in 2015.
- Final yields ranged from a low of 0.10% for a 2015 maturity to a high of 3.5% for a 2035 maturity.
- Today’s offering included \$105 million in taxable bonds for infrastructure projects, providing much needed funds to transportation, education, and children’s hospitals.
- Notably, California enjoyed pricing that outperformed its credit rating. The \$105 million portion of the sale was sold at a yield of just one basis point (i.e. 0.01%) above comparable taxable AAA municipal bonds. California’s current general obligation bond rating is Aa3 by Moody’s Investors Service, A+ by Standard & Poor’s, and A+ by Fitch Ratings.

The next State general obligation bond sale is expected to occur in the summer or fall of 2015.

The State Treasurer has broad responsibilities and authority in the areas of public investment and finance. In particular, he oversees the issuance of State debt and is responsible for crafting best practices for the sale of debt and the investment of public funds for California’s more than 4,000 local bond issuers, including the State, school districts, cities, counties, and special districts.

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This article was released by the Office of the State Treasurer.