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Vermont's Push to Match Local Bond Investors with Local Projects.

The Vermont Municipal Bond Bank wants retail investors to play an integral role in tackling some of the state's infrastructure needs.

The agency announced Thursday the approval of six new loans totaling around $7.8 million for capital projects across Vermont that will be funded through its first-ever offering of local investment bonds. Executive Director Michael Gaughan said the local investment bond designation allows the bank to expand its reach with individuals able to purchase the bonds in smaller increments as low as $1,000.

"Our local investment bonds are definitely part of a growing effort by many issuers to get more people to invest locally," said Gaughan, a former public finance director at PNC Capital Markets (PNC), who began his role with the Vermont Bond Bank on Jan. 2.

The Vermont Bond Bank is planning to sell $8.2 million of the series 1 bonds during the week of Feb. 12 in a deal underwritten by lead managers Morgan Stanley (MS) and Citi. The transaction is rated AA-plus by S&P Global Ratings and Aa1 by Moody's Investors Service.

Vermont's local investment bond sale comes nearly a year after the City of Cambridge, Mass. offered its first minibond issuance featuring $2 million of general obligation bonds to finance local infrastructure projects such as school renovations and street repairs.

Gaughan said the new offering was inspired by the State of Vermont's citizen bonds, which are available only to Vermont residents also in $1,000 denominations.

"The difference with our bonds is that we also wanted to recognize the high impact of the loans we fund through our pooled program," said Gaughan. "Many of our borrowers are small towns and villages where an infrastructure upgrade can have a relatively out-sized impact versus a major metropolitan area."

The local investment bond designation is aimed at highlighting the community impact from the transaction targeting improvements to the municipalities of Swanton, Enosburg Falls, Grand Isle, Williston and St. Albans, along with Green Mountain Union High School. Gaughan said planned outcomes from the transaction such as producing 47,000 megawatt hours of renewable energy annually and nearly 12,000 linear feet of streetscape improvements are highlighted in the offer sheet in hopes of attracting investors interested in "impact investing."

By Andrew Coen

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