



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

NEWS RELEASE

For Immediate Release—July 31, 2012

Press Contact: Beth Pearce (802) 828-1452 or Lisa Helme (802) 828-3706. Transportation questions to Leonard LeBlanc (802) 828-2704.

State Treasurer Pearce Announces Successful Transportation Bond Sale & Rating Upgrade

MONTPELIER, Vt.--State Treasurer Beth Pearce announced today a triple win for Vermont: a successful bond sale, a bond rating upgrade, and the financing of needed post-Irene bridge repairs. The State sold \$10 million of Vermont Special Obligation Transportation Infrastructure Bonds today. The bonds will leverage an additional \$51 million in federal funding for bridge and road projects throughout Vermont.

"I am delighted to announce that Standard and Poor's upgraded our transportation bond rating from AA to AA+, the second-highest," said Pearce. "This rating upgrade helped us to receive a large number of bids on our competitive bond sale, which in turn helped us to secure record-low interest rates. Lower rates mean lower interest costs, which translate into savings for Vermont's taxpayers."

The transportation bonds are backed by a transportation revenue source and not the State's full faith and credit backing present for normal debt issues called general obligation debt. The transportation bonds consequently carry a slightly lower rating than general obligation bonds. Vermont has the highest general obligation bond rating available, AAA and Aaa, by Fitch and Moody's respectively, and the second highest rating of AA+ by Standard & Poor's. This is the highest state rating in New England.

"To access federal highway dollars, Vermont typically contributes 20 percent of the project costs," explained Pearce. "However, FEMA and other emergency funds require only a 10 percent state match, which allows Vermont's contribution to stretch much further. This timely bond issuance allows us to proceed with 18 critical infrastructure projects throughout Vermont."

Among the more than \$61 million in road and bridge improvements supported by the bond sale is \$11.3 million for the replacement or rehabilitation of bridges damaged in Tropical Storm Irene in Bennington, Cavendish, Hancock, Hubbardton, Jamaica and Woodford. An additional \$6.7 million is allotted for a range of transportation projects that address work still needing to be completed following emergency repairs done after the storm.

"Bonding is a valuable tool that we can use to leverage federal funds for major projects," said Transportation Secretary Brian Searles. "Particularly in the aftermath of Tropical Storm Irene, it allows us the flexibility to take full advantage of federal support to replace a number of damaged bridges while maintaining important roadway projects in our work plan."

"The continued success of our bond programs is a testament to Vermont's reputation for strong financial management, the State's prudent and conservative approach to issuing new debt, and to the fiscal discipline exercised by the administration and legislature," said Pearce.

The transportation bonds are backed by the State's motor fuels transportation infrastructure assessment, which is set at two percent of the sale price of gasoline and three cents per gallon on diesel fuel. The assessment raised almost \$23 million during the last fiscal year. The Governor and State Legislature passed the assessment in 2009 to pay for a backlog of Vermont's transportation infrastructure needs. The State sold its first transportation bonds in 2010, which provided Vermont's share of the cost of replacing the Lake Champlain Bridge.

Moody's Investors Service and Fitch Ratings maintained their ratings on the transportation bonds of Aa2 and AA, respectively, with a stable outlook. Today's bond sale was competitively bid on PARITY, an internet-based platform. The State received nine bids and awarded the bonds to Morgan Stanley & Company. The true interest cost was 2.45 percent. The bonds will be repaid in level annual amounts, similar to a mortgage, over 20 years, with the final payment occurring in 2032.