State Bond Commission
Department of Treasury

John Neely Kennedy
State Treasurer
& Chairman

Lela M. Folse
Director

December 10, 2015

Representative James "Jim" Fannin, Chairman
Joint Legislative Committee on the Budget
P.O. Box 44294
Baton Rouge, LA 70804

Approved by the Joint Legislative Committee on the Budget

DATE: 12-17-15 PB.

Dear Chairman Fannin:

This letter serves as a follow-up to a letter dated November 23, 2015 (attached) requesting to place an item on the JLCB December 17, 2015 agenda to allow the State Bond Commission ("SBC") to sell General Obligation ("GO") bonds in 2016 in a negotiated sale.

This request to use a negotiated method of sale for the 2016 GO bonds as part of a broader proposed approach to meeting the state's capital outlay cash-flow needs that is estimated to occur in February, and is designed to obtain the best possible outcome for the state by raising funds at the lowest possible cost. As discussed in the attached letter of November 23rd, the Capital Outlay Escrow Fund will need to be replenished in February, which under the state's traditional approach would call for a competitive long-term bond sale in January. However, given the developing nature of the state's fiscal circumstances, it would be very challenging to prepare the required financial disclosure document for a public bond offering that would not quickly become out of date. Interim financing would allow the state to bridge the period to the point where the circumstances for issuing public market debt is more beneficial. The lowest cost bridge financing is available in connection with the appointment of a firm to also underwrite the long-term take-out bonds.

Twelve responses to the November 10, 2015 Solicitation for Offer ("SFO") were received for both the interim financing and to serve as underwriter for the take-out bonds on a negotiated basis. The responses were reviewed by the staff of the SBC, Division of Administration, Attorney General, Senate and House ("Staff") and with the assistance of the State's Financial Advisor and Bond Counsel, the Staff's recommendation to the SBC on December 17th will be to proceed with a direct placement of Bond Anticipation Notes ("BANs") in January 2016 with a negotiated sale to follow for the take-out bonds sometime in the Summer of 2016. The Staff has narrowed the responses down to three offers and will recommend to the SBC to invite the three offerors to make a best and final proposal in mid-January 2016. The offeror with the lowest costs of funds for both the BANs and Bonds will be selected.

The SBC must authorize both the BANs and the take-out bonds at its December 17, 2015 meeting and, as noted above, per R.S. 39:1365(4), JLCB approval is also required for the negotiated sale of the take-out bonds.

Also attached you will find the Capital Outlay project list to be reimbursed by the BANs totaling $254.92 million.

Your consideration is greatly appreciated.

Sincerely,

Lela M. Folse

Lela M. Folse
Director

cc: John Neely Kennedy, State Treasurer & Chairman