



General Assembly

Substitute Bill No. 595

February Session, 2002

**AN ACT CONCERNING REQUIREMENTS FOR ISSUANCE OF
MUNICIPAL REFUNDING BONDS AND CERTAIN INTEREST RATE
AGREEMENTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 7-370b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 [Any] In connection with or incidental to the carrying or selling and
4 issuance of bonds or notes, any municipality, as defined in section 7-
5 369, may obtain from a commercial bank, [or] insurance company or
6 subsidiary of such bank or insurance company, authorized to do
7 business within or without this state a letter of credit, line of credit or
8 other credit facility upon such terms and conditions as shall be
9 approved by the [municipal body empowered to authorize the
10 issuance of bonds, notes or other obligations by such] municipality, for
11 the purpose of providing funds for the payment of such bonds
12 [required by the holder thereof to be] redeemed, [or] repurchased or
13 defeased prior to maturity or for providing additional security for such
14 bonds, notes or other obligations. In connection therewith, such
15 [municipal body] municipality may authorize the execution of
16 reimbursement agreements, remarketing agreements, standby bond
17 purchase agreements, interest rate swap agreements [for the purpose
18 of moderating interest rate fluctuations] and any other necessary or
19 appropriate agreements. If such municipality is required to draw upon

20 any [such] credit facility to redeem bonds prior to maturity, such
21 municipality shall repay the amount of each loan made pursuant to
22 such credit facility within one year from the date it is incurred from the
23 proceeds of refunding bonds, notes or other obligations or from any
24 other available funds. Interest rate swap agreements may include such
25 contracts as the municipality may determine to be necessary or
26 appropriate to place the obligation of the municipality, as represented
27 by the bonds or notes, in whole or in part, on such interest rate or cash
28 flow basis as the municipality may determine, including without
29 limitation, insurance agreements, forward payment conversion
30 agreements, futures contracts, contracts providing for payments based
31 on levels of, or changes in, interest rates or market indices, contracts to
32 manage interest rates risk, including without limitation, interest rate
33 floors or caps, options, puts, calls and similar arrangements.
34 Agreements entered into by any municipality under this section shall
35 contain such payment, security, default, remedy and other terms and
36 conditions as the municipality may deem appropriate and shall be
37 entered into with such party or parties as the municipality may select
38 on the basis of negotiation or competitive bid, after giving due
39 consideration, where applicable, to the creditworthiness of the counter
40 party or counter parties, including any rating by a nationally
41 recognized rating agency, the impact on any rating on outstanding
42 bonds or notes and any other criteria as the municipality may deem
43 appropriate, provided the unsecured long-term obligations of the
44 counter party shall be rated in a category no lower than AA by at least
45 one nationally recognized rating agency. Such municipality may
46 pledge its full faith and credit to its payment obligations, including
47 netting payments, under any agreement entered into pursuant to this
48 section to the extent the full faith and credit of the municipality is
49 pledged to secure the applicable bonds or notes, or to pledge all or any
50 part of the collateral that secures the applicable bonds or notes to the
51 extent permissible under its contracts with bondholders.

52 Sec. 2. Section 7-370c of the general statutes is repealed and the
53 following is substituted in lieu thereof (*Effective from passage*):

54 Any municipality, as defined in section 7-369, which has issued
55 bonds, notes or other obligations pursuant to any public or special act
56 may issue refunding bonds for the purpose of paying, funding or
57 refunding prior to maturity all or any part of such municipality's
58 bonds, notes or other obligations, the redemption premium, if any,
59 with respect thereto, the interest thereon, the costs with respect to the
60 issuance of such refunding bonds and the payment of such refunded
61 bonds, notes or other obligations. Such refunding bonds shall mature
62 not later than (1) in the case of a single series of bonds, notes or other
63 obligations being refunded, the final maturity date thereof; and (2) in
64 the case of multiple series of bonds, notes or other obligations being
65 refunded, the final maturity date of any such series last to occur.
66 Notwithstanding the provisions of the general statutes or any special
67 act, local law or charter governing the authorization and issuance of
68 bonds, notes or other obligations and the appropriation of the proceeds
69 thereof, such refunding bonds shall be authorized, and the proceeds
70 appropriated for the purposes permitted [for] under this section, by
71 resolution of the legislative body of the municipality, and shall be
72 subject to the same limitations and requirements as bonds issued
73 pursuant to this chapter, provided the provisions of section 7-371
74 regarding limitations on the date of the first maturity, or on the
75 amount of any principal or on any principal and interest installments
76 on any bonds, shall not apply to refunding bonds issued under this
77 section which shall achieve net present value savings after comparing
78 total debt service payable on the refunding bonds to the total debt
79 service payable on the refunded bonds, after accounting for costs of
80 issuance and underwriters' discount and further provided the final
81 maturity date of any such refunding bonds may be extended beyond
82 the date of the final maturity of the refunded bonds if they shall
83 mature in annual or semiannual installments of principal that shall
84 substantially equalize the aggregate amount of principal and interest
85 due in each period or shall mature in substantially equal annual
86 installments of principal commencing with the first annual period in
87 which an installment of principal only is due. As used in this section
88 "legislative body" means (A) the board of selectmen in a town that

89 does not have a charter, special act or home rule ordinance relating to
90 its government, (B) the council, board of aldermen, representative
91 town meeting, board of selectmen or other elected legislative body
92 described in a charter, special act or home rule ordinance relating to
93 government in a city, consolidated town and city, consolidated town
94 and borough or a town having a charter, special act, consolidation
95 ordinance or home rule ordinance relating to its government, (C) the
96 board of burgesses or other elected legislative body in a borough, or
97 (D) the district committee or other elected legislative body in a district,
98 metropolitan district or other municipal corporation.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>

FIN *Joint Favorable Subst.*