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## **OLR Bill Analysis**

**sSB 1062 (File 661, as amended by Senate "A")\***

### ***AN ACT AUTHORIZING MUNICIPAL CLIMATE CHANGE AND COASTAL RESILIENCY RESERVE FUNDS.***

#### **SUMMARY**

This bill allows a municipality to establish a climate change and coastal resiliency reserve fund. It may do this upon the recommendation of its chief executive officer, approval of its budget-making authority, and majority vote of its legislative body.

Under the bill, such a fund may contain (1) funds authorized to be transferred from the municipality's general fund cash surplus at the end of a fiscal year and (2) proceeds of bonds, notes, or other obligations issued to fund property or casualty losses or projects related to the presence of pyrrhotite in the concrete foundations of residential buildings.

The bill authorizes the municipality's budget-making authority to direct the municipal treasurer to invest a portion of the reserve fund as specified (see below). Additionally, it allows the municipality to use and appropriate all or part of the reserve fund to pay for municipal property losses, capital projects, and studies on mitigating climate change hazards and vulnerabilities, including land acquisition.

Under the bill, the municipal treasurer must submit an annual report to the municipality's chief elected official, budget-making authority, and legislative body on the reserve fund's condition. This report must be made a part of the municipality's annual report.

Lastly, the bill requires that if the reserve fund is discontinued, any remaining funds must be put toward retiring the municipality's bonded indebtedness, if any. Any further remaining funds must be transferred to the municipality's general fund. The reserve fund may be discontinued upon the recommendation of the municipality's chief

elected official and budget-making authority and approval of its legislative body.

\*Senate Amendment "A" eliminates a provision that allowed municipalities to levy an annual tax on residents for the benefit of the reserve fund.

EFFECTIVE DATE: July 1, 2019

### **ALLOWED INVESTMENTS**

The bill authorizes the municipality's budget-making authority to direct the municipal treasurer to invest a portion of the reserve fund. No more than 40% of the total fund amount may be invested in equity securities (50% if there is an asset allocation and investment policy).

Any portion of the fund not invested in equity securities may be invested in the following (except where noted, references to obligations' ratings means rated by a nationally recognized rating service or a rating service recognized by the state banking commissioner):

1. bonds or obligations of, or guaranteed by, Connecticut, the United States, or U.S. agencies or instrumentalities;
2. certificates of deposit, commercial paper, savings accounts, and bank acceptances;
3. obligations of a U.S. state or its political subdivisions or the obligations of any instrumentality, authority, or agency of a state or political subdivision, if the obligations are rated in the top rating categories;
4. obligations of a Connecticut regional school district, municipality, or metropolitan district, if the obligations are rated within the top two rating categories;
5. U.S. government obligations rated within the top two rating categories of a nationally recognized rating service;

6. investment agreements with financial institutions (a) whose long-term obligations are rated within the top two rating categories or (b) whose short-term obligations are rated in the top rating category; or
7. investment agreements fully secured by obligations of, or guaranteed by, the United States or its agencies or instrumentalities.

**COMMITTEE ACTION**

Environment Committee

Joint Favorable Substitute

Yea 27 Nay 2 (03/25/2019)