OLR Bill Analysis
sSB 1062

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; (2) proceeds of bonds, notes, or other obligations issued to fund losses or projects related to the presence of pyrrhotite in the concrete foundations of residential buildings; and (3) amounts raised by an annual tax levied solely for the benefit of the fund. Any such tax must be levied and collected in the same manner and at the same time as the municipality’s regular annual taxes.

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.

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 provided no more than 40%, or 50% if there is an asset allocation and investment policy, of the total fund amount may be invested in equity securities.

Any portion of the fund not invested in equity securities may be invested in the following:

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 of a nationally recognized rating service or a rating service recognized by the state banking commissioner;

4. obligations of a Connecticut regional school district, municipality, or metropolitan district, if the obligations are rated in within the top two rating categories of a nationally recognized rating service or a rating service recognized by the state banking commissioner;

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 of a nationally recognized rating service or a rating service recognized by the state banking commissioner or (b) whose short-term obligations are rated in the top rating category of a nationally recognized rating service or a rating service recognized by the state banking commissioner; 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)