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Assisting Connecticut Communities Seeking Economic Stability (ACCSES)

Sec. 7-572-1. Notification and documentation to secretary regarding the issuance of deficit obligations

(a) The municipality, through its chief executive officer, shall notify the Secretary of its intent to issue deficit obligations at least ninety (90) days prior to issuance. Such notification shall include the following:

(1) The anticipated amount of the deficit obligations to be issued, the most recent audited financial statements of the municipality, and a general description of any other measures, in addition to issuing the deficit obligation, that will be implemented to eliminate the deficit.

(2) A letter from the municipality's chief executive officer certifying that, and an opinion from its bond counsel to the effect that, the proposed issuance of the deficit obligation will comply with Public Act 93-421, that such municipality has authorized the issuance of such obligations in accordance with the General Statutes, any applicable charter, special act or home rule ordinance and the provisions of Public Act 93-421, and that the municipality has no outstanding deficit obligations and that it has not issued a deficit obligation in the past five years.

(3) Written assurance that such municipality will establish a property tax intercept procedure and a debt service payment fund with a trustee in accordance with the provisions of Public Act 93-421.

(4) Written assurance that such property tax intercept procedure will assure that the property tax receipts transferred to the trustee and deposited in the debt service payment fund shall be in an amount at least equal to and deposited by such dates so as to satisfy the debt service payment fund requirement.

(5) Any other information required by Public Act 93-421.

The Secretary may, upon the request of the municipality's chief executive officer, reduce the ninety (90) day notice requirement for some or all of the items of information outlined above if sufficient cause is found.

(b) Prior to the date of closing on the deficit obligation, the municipality's chief executive officer shall provide such additional information related to such issuance as may be requested by the Secretary, including, but not limited to, a copy of the Preliminary Official Statement (the "POS").

(c) Within ninety (90) days after the date of closing on the deficit obligation, the chief executive officer shall submit to the Secretary a copy of all the final closing documents related to the issuance, which documentation shall include the agreements and language related to the property tax intercept procedure and the debt service payment fund.

(d) The Secretary shall refer to the Municipal Finance Advisory Commission, pursuant to Section 7-395 of the General Statutes, any municipality which notifies the Secretary that it intends to issue deficit obligations under Section 9 of Public Act 93-421.

(Effective May 3, 1994)

Sec. 7-572-2. Standards for certification and supervision of Tier I and Tier II municipalities

(a) **Standards for Certification:** Any municipality that desires to issue general obligations under Section 14 or 17 of Public Act 93-421 shall apply to the Secretary for certification. The Secretary may certify as a Tier I or Tier II municipality any municipality which applies to be certified, provided that:

(1) The municipality has a long-term bond rating from at least one bond rating agency which is investment grade or higher;

(2) The municipality is unable to secure municipal bond insurance from any bond insurance company on reasonable terms and conditions on the date the Secretary certifies such municipality;

(3) The municipality, in the case of a municipality seeking to be a Tier II municipality, has not issued a deficit obligation in the last five years and has no outstanding deficit obligations; and

(4) There is no evidence of any unsound or irregular financial practices of, or other material fiscal concerns related to, the municipality in relation to commonly accepted standards for governmental management and finance which, in the opinion of the Secretary, renders the municipality a material risk in terms of a draw upon the special capital reserve fund and a transfer from the State general fund.

(b) **Recertification and Decertification:** The Secretary may recertify and decertify any municipality then certified, provided the Secretary shall not automatically decertify any municipality which is able to secure bond insurance after it has been certified by the Secretary.

(c) **Supervision of Tier I and Tier II Municipalities**

(1) As part of a Tier I or Tier II municipality's referral to the Municipal Finance Advisory Commission (the "MFAC") in accordance with the provisions of Section 14 and 17 of the Public Act 93-421, the Secretary may direct the municipality to provide the MFAC with certain information regarding the municipality's finances and its compliance with Public Act 93-421, and require the municipality to undertake, at its own expense, any special audits that the MFAC may require in order to help minimize the possible risk with respect to a draw upon the special capital reserve fund a transfer from the State general fund. The Secretary may impose that these requirements as provided in Section 12 of Public Act 93-421, be incorporated in the indenture or other agreement between the municipality and the trustee related to the establishment of any Special Capital Reserve Fund.

(2) The ability of the Secretary to require the municipality to provide certain information to the MFAC shall in no way limit the MFAC's ability to request information from these municipalities in accordance with General Statutes.

(3) Tier II municipalities shall work with and report to the MFAC in the manner prescribed in Section 18 of Public Act 93-421.

(4) The MFAC, in addition to its other requirements and responsibilities, shall monitor a Tier II municipality's plan to eliminate any deficit.

(Effective May 3, 1994)

Sec. 7-572-3. Procedures for Tier I and II Municipalities issuing general obligations supported by a special capital reserve fund

(a) Any Tier I or Tier II municipality wishing to issue any obligation supported by a Special Capital Reserve Fund (a "SCRF") shall, through its chief executive officer, notify the Secretary and the Treasurer of such desire within one-hundred twenty (120) days of the intended date of the issuance. Such notification shall include the following:

(1) A description of the purpose and anticipated amount of the obligation to be supported by the SCRF, the most recent audited financial statements of the municipality, and, in the case of a deficit obligation, a description of the measures that will be implemented to eliminate the deficit.

(2) A letter from the municipality's chief executive officer certifying that, and an opinion from its bond counsel to the effect that, the proposed issuance of the

obligation will comply with Public Act 93-421, that such municipality has authorized the issuance of such obligations in accordance with the General Statutes, any applicable charter, special act or home rule ordinance and the provisions of Public Act 93-421, and, in the case of a deficit obligation, that the municipality has no outstanding deficit obligations and that it has not issued a deficit obligation in the past five years.

(3) Draft agreements and language with respect to the property tax intercept procedure and debt service payment fund to be established with a trustee in accordance with the provisions of Public Act 93-421.

(4) Any other information required by Public Act 93-421.

The Secretary may, upon a request from the municipality's chief executive officer, reduce the one-hundred twenty (120) day notice requirement for some or all of the items of information outlined above if sufficient cause is found.

(b) In the case of a Tier II municipality, the Secretary, within ten (10) days of the receipt of the documentation required in (a) of this section, shall forward such documentation to the MFAC. The MFAC within thirty (30) days of its receipt of such documentation shall approve or disapprove the issuance of the obligation and provide a written report of such action to the Secretary.

(c) The Secretary shall forward a written report on the documentation required in (a) above and on the other issues related to the municipality's financial situation, and, with respect to obligations to be issued by a Tier II municipality, the written report of the MFAC pursuant to (b) of this section, to the Treasurer not less than sixty (60) days before the intended date of issuance of the obligations to be supported by a SCRF, unless the Treasurer, following a request from the municipality's chief executive officer, agrees to reduce this sixty (60) day requirement. The report shall indicate, among other items, the status of the municipality's certification as a Tier I or Tier II municipality. In the report, the Secretary shall indicate the requirements the Secretary wants imposed pursuant to Section 12 of Public Act 93-421 in the indenture or other agreement between the municipality and the trustee related to the establishment of the special capital reserve fund. These requirements shall be in addition to any requirements that may be imposed by the Treasurer in accordance with Section 12 of Public Act 93-421.

(d) A municipality may not issue any obligation for which there is a SCRF established pursuant to Section 12 of Public Act 93-421 unless and until the Treasurer approves, in writing, the issuance of the obligation to be secured by the SCRF and the indenture or other agreement between the municipality and the trustee establishing the SCRF. The Treasurer shall not provide such approvals until the Secretary submits to him the information indicated in (c) of this section. The municipality shall comply with such guidelines and standards as may be established by the Treasurer to ensure compliance with Sections 10 through 12 of Public Act 93-421.

(e) The Secretary shall refer to the MFAC, pursuant to the provisions of Section 7-395 of the General Statutes, any municipality which notifies the Secretary that it intends to issue obligations under Section 14 or 17 of Public Act 93-421.

(Effective May 3, 1994)