

No. 102

AN ACT

HB 1318

Amending the act of June 25, 1941 (P. L. 159), entitled, as amended, "An act amending, revising, consolidating and changing the law relating to the borrowing of money by certain political subdivisions, the authorization, issuance and sale of general obligation bonds as herein defined, of bonds imposing no general obligation of debt and of bonds not deemed to constitute a debt for certain purposes, and to the funding of debt and the refunding of bonds; regulating the keeping and use of sinking funds; imposing powers and duties upon the Department of Community Affairs and upon corporate bodies and officers of political subdivisions; imposing penalties, and repealing existing laws," authorizing the increase of rates of interest for a limited time and authorizing the private sale of term bonds by municipalities.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Subsection (a) of section 206 and subsections (a) and (b) of section 502, act of June 25, 1941 (P. L. 159), known as the "Municipal Borrowing Law," are amended to read:

Section 206. Ordinance to Increase Debt by Borrowing Money; Interest Rate.—(a) The corporate authorities of a municipality where they are authorized to increase the debt may by their ordinance, the vote thereon to be duly recorded upon the minutes of such municipality, authorize and direct the issuance of general obligation bonds of the municipality in sums not less than one hundred dollars each, bearing interest at a rate not exceeding six per centum per annum *except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum as shall be determined by the corporate authorities of a municipality as necessary to issue and sell such bonds* in addition to any taxes, the payment of which may be assumed by such municipality, payable at such times as may be stated therein, and the principal to be payable at a period or periods not exceeding thirty years from the date of said bonds.

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Section 502. Funding Bonds; Conditions.—(a) Whenever any municipality has any unfunded debt, contracted for current operating expenses, which is due and owing and the financial condition of the municipality is such that, in the opinion of the council in the case of cities and boroughs and the corporate authorities in the case of other municipalities, it cannot meet such debt within the fiscal year without an unreasonable curtailment of municipal services or the levy of an excessive tax, they may by petition apply to the court of quarter sessions of the county in which the municipality is situate setting forth the facts. After hearing, on such notice to the municipality and taxpayers as the court may

prescribe, the court shall make such order granting authority to fund such unfunded debt contracted for current operating expenses in whole or in part, if it believes the proposed funding will accomplish the relief intended, or refusing to permit the municipality to fund the same as it deems just and equitable. The action of the court shall be final.

Whenever the consent of the court to the funding of any unfunded debt contracted for current operating expenses has been secured, the corporate authorities of the municipality may authorize, issue and sell general obligation funding bonds bearing interest at a rate not exceeding six per centum *per annum except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum as shall be determined by the corporate authorities as necessary to issue and sell such bonds* in addition to any taxes, payment of which may be assumed by the municipality, the maturity of any such bonds not to extend beyond ten years from the date thereof and not exceeding in the aggregate the amount allowed by the court.

(b) The funding of floating indebtedness incurred in the acquisition of property or the making of improvements, as distinguished from that incurred for current operating expenses, shall not require the approval of the court of quarter sessions, but general obligation bonds issued to fund the same shall bear interest at a rate not exceeding six per centum *per annum except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum as shall be determined by the corporate authorities as necessary to issue and sell such bonds* in addition to any taxes, payment of which may be assumed by the municipality, and shall mature not later than the estimated period of usefulness of the property acquired or the improvement made, which period of usefulness shall be stated in the ordinance authorizing the issuance thereof as required under the provisions of section 206 of this act.

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Section 2. Subsection (d) of section 502 of the act, added May 21, 1943 (P. L. 500), is amended to read:

Section 502. Funding Bonds; Conditions.—

* * *

(d) If the unfunded debt which is to be funded under the provisions of this section is represented by a judgment or judgments entered by a court of competent jurisdiction, the municipality shall not be required to obtain the consent of the court of quarter sessions, nor submit the question of the ratification, confirmation or validation of the debt represented thereby to the electors thereof. General obligation bonds issued to fund any such judgment or judgments shall bear interest at a rate not exceeding six per centum *per annum except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may*

exceed six per centum but shall not exceed seven per centum per annum as shall be determined by the municipality as necessary to issue and sell such bonds in addition to any taxes, payment of which may be assumed by the municipality, and shall mature not later than twenty years from the date thereof.

Section 3. Section 503 and subsection (b) of section 504 of the act are amended to read:

Section 503. Refunding Bonds; Conditions.—Where any municipality has issued general obligation bonds either originally or for refunding purposes to secure any debt of such municipality which may have matured but remain unpaid and uncanceled or are about to mature and become payable and there is at the time or will, in the opinion of the council in the case of cities and boroughs and the corporate authorities in the case of other municipalities, be a default in the payment of principal thereon within one year, the municipality for the purpose of paying off such bonds may authorize, issue and sell refunding serial general obligation bonds bearing interest at a rate not exceeding six per centum per annum *except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum as shall be determined by council in case of cities and boroughs or corporate authorities in case of other municipalities as necessary to issue and sell such refunding bonds* in addition to any taxes the payment of which may be assumed by the municipality, the maturity of any of such bonds not to exceed twenty years after the date thereof, and not exceeding in the aggregate the amount of the bonds or other evidences of indebtedness so to be paid. All assets in the sinking fund applicable to the payment of the principal of the bonds proposed to be refunded shall first be so applied, and the balance of such issue only shall be redeemed by the issue of new bonds.

Section 504. * * *

(b) Refunding of Bonds Which the Holders Are Willing to Surrender; Conditions.—Any municipality which has outstanding general obligation bonds which the holders are willing to surrender or any municipality which may hereafter issue bonds which the holders are willing to surrender may at any time with the consent of the holders thereof authorize and issue refunding bonds to redeem and pay off such outstanding bonds in an amount not exceeding in the aggregate the amount of bonds so to be redeemed and paid off. Such refunding bonds shall bear interest at a rate not exceeding six per centum per annum *except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum as shall be determined by the municipality as necessary to redeem and pay off such outstanding bonds* in addition to any taxes, payment of which may be assumed by the municipality, and shall mature not later than twenty years from the date

thereof. All assets in the sinking fund applicable to the payment of the principal of the bonds proposed to be refunded shall be first so applied, and the balance of such bonds only shall be refunded by the issue of new bonds.

Section 4. Section 623 of the act, amended June 8, 1965 (P. L. 101), is amended to read:

Section 623. **Certain Procedure Required.**—Non-debt revenue bonds authorized, issued and sold under the authority of subdivision (b) of this article shall either be payable in annual installments or in whole or in part in other than annual installments. If the bonds are payable in annual installments, the first maturity shall be not later than five years after the date of the bonds. If the bonds are payable in other than annual installments, there shall be annual sinking fund payments for such years as bonds do not mature, to be applied annually to the retirement of bonds prior to the stated maturity or maturities thereof, and such sinking fund payments or a maturity payment shall begin not later than five years after the date of the bonds. Whether the bonds are retired annually by maturity or through operation of a sinking fund, the sum of the payments on account of principal and interest in any year shall not exceed the sum of the payments on account of principal and interest for any prior year by more than five thousand dollars (\$5,000) or twenty (20) per centum of such prior sum, whichever is greater.

The maturities of the bonds so issued shall not exceed forty years, or the estimated period of usefulness of the property or improvement for which such bonds shall be issued, whichever is earlier. The period of usefulness shall be stated in the ordinance authorizing such bonds, and when so stated shall be conclusive. The bonds may be sold for such price or prices as the municipality shall determine: Provided, That the interest cost to maturity of the money received for any issue thereof shall not exceed six per centum per annum *except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum as shall be determined by the municipality at the time of the sale* in addition to any taxes, payment of which may be assumed by the municipality.

Section 5. The act is amended by adding a new section to read:

Section 704. Term Bonds.—(a) *Notwithstanding any other provision of the law to the contrary, whenever any corporate authorities of the municipality shall authorize the issuance of general obligation serial bonds, they shall authorize at the same time for the same purpose or purposes the issuance of term bonds payable in not more than twenty-five years from the date of issue, and the principal amount of said term bonds shall be equal to a reasonable amount of the principal amount of the said general obligation serial bonds. The amount and term of the issue of the term bonds shall be fixed by the corporate*

authorities in the exercise of their discretion. The term bonds authorized under the provisions of this subsection shall be in one hundred dollar (\$100) units and shall bear interest at a rate to be fixed by said corporate authorities not exceeding the legal rate. The said term bonds may be sold at private sale without advertisement for competitive bids through the fiscal agent or any other bank or banks designated by said corporate authorities to sell such bonds, and shall be sold at par and accrued interest. The said term bonds, at the option of the corporate authorities, may be in registered or coupon form and may be made interchangeable. The term bonds authorized under the authority of this subsection shall be subject, except as provided in this subsection, to all the terms and conditions of the said general obligation serial bonds authorized concurrently therewith.

(b) Whenever term bonds are issued under the authority of this subsection, a sinking fund shall be created for the payment of principal and interest of said term bonds. Any corporate authorities of the municipality issuing said term bonds shall levy and collect annually and pay into the sinking fund, until payment of said principal and interest and any taxes covenanted to be paid thereon is fully provided therefor, a tax sufficient to pay the principal and interest of said term bonds and any taxes covenanted to be paid thereon within the life of the issue of said term bonds.

Section 6. Section 701-A of the act, amended March 16, 1967 (P. L. 13), is amended to read:

Section 701-A. Temporary Debt for Improvements, Etc., Payment; Interest Charges.—A municipality may borrow money for capital expenditures for municipal improvements and equipment, including school buses, in those instances where no bond issue has been previously authorized, and all such moneys for which an obligation or obligations other than bonds have been issued shall, unless refunded by the issue of bonds, be paid within five years from date of issue of such obligation, together with interest, and at least one-fifth of the total principal of the original loan shall be paid annually. Such obligation or obligations may be paid, in full or in part, each year when the taxes are received, and reborrowed again the latter part of the fiscal year: Provided, That the amount reborrowed is less than the amount borrowed the preceding year by at least one-fifth of the total amount of the original loan. Each time the money is reborrowed, the date and purpose for which it was originally borrowed shall be restated. The amount of the original loan shall be paid in full within a maximum term of five years from the date of the original loan for such purpose unless funded as hereinbefore provided. The municipality shall not pay any charges or interest equal to more than six per centum per annum *except that for a period of one year after the effective date of this amendatory act, the rate or rates of interest may exceed six per centum but shall not exceed seven per centum per annum*

as shall be determined by the municipality at the time of the original loan on any money borrowed under the provisions of this article.

Section 7. The interest on bonds issued with an interest rate exceeding six per cent per annum shall be paid during the term for which the bonds were issued and shall not be limited to the one year period during which the rates in excess of six per cent per annum could be determined.

Section 8. This act shall take effect immediately.

APPROVED—The 10th day of October, A. D. 1969.

RAYMOND P. SHAFER

The foregoing is a true and correct copy of Act of the General Assembly No. 102.



Secretary of the Commonwealth.