

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1194

Session of
1981

INTRODUCED BY LEVI, SIRIANNI, DeMEDIO, FRYER AND
A. C. FOSTER, JR., APRIL 21, 1981

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
DECEMBER 14, 1981

AN ACT

1 Amending the act of July 28, 1953 (P.L.723, No.230), entitled,
2 as amended, "An act relating to counties of the second class
3 and second class A; amending, revising, consolidating and
4 changing the laws relating thereto," further providing for
5 investment of funds.

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

8 Section 1. Section 1963, act of July 28, 1953 (P.L.723,
9 No.230), known as the "Second Class County Code," is amended.

10 Section 1963. Designation and Qualification of
11 Depositories.--At said meeting or at any subsequent meeting
12 agreed upon, said board shall designate the depositories and the
13 rate of interest to be paid by them to the county.

14 Depositories so designated shall, upon receipt of notice of
15 their selection as a depository of county funds, furnish
16 collateral to secure payment of deposits and interest to the
17 county by depositing in escrow securities to be approved by the
18 board. Such securities shall be of the kind and in the amount to

1 be fixed by the board. Substitution of such securities may be
2 made with the approval of the board in each case. The board may
3 designate a branch bank of the Federal Reserve Bank of the
4 district, located within the county, as escrow agent for the
5 keeping of securities and to perform such functions as the board
6 may prescribe.

7 The county treasurer, upon the designation of such depository
8 or depositories, shall immediately transfer thereto all county
9 funds to be deposited, and shall thereafter keep such deposits
10 solely in such depository or depositories, in the name of the
11 county.

12 Section 2. Section 1964 of the act, added November 5, 1971
13 (P.L.516, No.124), is amended to read:

14 Section 1964. Investment of Moneys.--(a) The county
15 treasurer shall have the power, subject to subsection (b) and
16 the hereinafter stated conditions and limitations, to invest and
17 reinvest the moneys of the general fund and special funds as
18 shall have accumulated beyond the ordinary needs of said various
19 funds[, and which are not authorized by law to be invested by
20 any board, commission or county officer, in the following type
21 investments:

22 (1) In any and all obligations of the United States, of this
23 Commonwealth, or of any municipality or other political
24 subdivision of this Commonwealth, registered or otherwise as to
25 principal and interest.

26 (2) Savings accounts or share accounts of institutions
27 insured by the Federal Deposit Insurance Corporation or the
28 Federal Savings and Loan Insurance Corporation to the extent
29 that such accounts are so insured.

30 (3) In one or more banks or bank and trust companies in one

1 or more special accounts, and each of such special accounts to
2 the extent the same is not insured shall be continuously secured
3 by a pledge of direct obligations of the United States of
4 America or of the Commonwealth or of any of its political
5 subdivisions having an aggregate market value, exclusive of
6 accrued interest, at all times at least equal to the balance on
7 deposit in such account.

8 (b) As used herein "commercial paper" shall mean unsecured
9 promissory notes issued at a discount from par by any
10 industrial, common carrier, public utility or finance company
11 and "prime commercial paper" shall mean notes issued by
12 corporations whose credit has been approved by the National
13 Credit Office, Incorporated, New York, or its successor. The
14 treasurer shall have obtained the following prior to any
15 commitment to purchase commercial paper:

16 (1) A certification or other evidence that such commercial
17 paper is rated prime by the National Credit Office,
18 Incorporated;

19 (2) A certification or other evidence that the paper
20 proposed to be delivered is not subordinate to any other debt of
21 the issuer;

22 (3) A certificate or other evidence that there is no
23 litigation pending or threatened affecting said paper;

24 (4) A certificate or other evidence that the issuer is not
25 in default as to the payment of principal and interest upon any
26 of its outstanding obligations; and

27 (5) A certificate or other evidence that the issuer was
28 incorporated within the United States, is transacting business
29 within the United States, and has assets of one billion dollars
30 (\$1,000,000,000) or more, or is a wholly owned subsidiary of a

1 Pennsylvania corporation having assets of one billion dollars
2 (\$1,000,000,000) or more.

3 (c) A Board of Investment is hereby created. Said board
4 shall be composed of three members, to wit: the treasurer, who
5 shall act as chairman of the board; the chairman of the county
6 commissioners; and the controller. The treasurer shall not, at
7 any time, have invested in prime commercial paper more than an
8 aggregate of such total sum as the board shall have prescribed.
9 Two members of the board shall be sufficient for a quorum,
10 provided reasonable notice of the meeting has been given to all
11 board members.

12 (d) All income earned on any of the aforesaid investments
13 shall inure to the benefit of the county and shall be placed in
14 the general fund.] consistent with sound business practice.

15 (b) A Board of Investment is hereby created. Said board
16 shall be composed of three members, to wit: the treasurer, who
17 shall act as a chairman of the board; the chairman of the county
18 commissioners; and the controller. The board shall provide for
19 an investment program, including temporary investments, subject
20 to restrictions contained in this act, and in any other
21 applicable statute and any rules and regulations adopted by the
22 board. County boards, commissions or other county officers
23 authorized to make investments under subsection (a) shall make
24 investments in conformity with the board's investment program.

25 (c) Authorized types of investments for county funds shall
26 be:

27 (1) United States Treasury bills.

28 (2) Short-term obligations of the United States Government
29 or its agencies or instrumentalities.

30 (3) Deposits in savings accounts or time deposits, other

1 than certificates of deposit, or share accounts of institutions
2 ~~organized and existing under the laws of~~ HAVING THEIR PRINCIPAL <—
3 PLACE OF BUSINESS IN the Commonwealth and insured by the Federal
4 Deposit Insurance Corporation or the Federal Savings and Loan
5 Insurance Corporation or the National Credit Union Share
6 Insurance Fund or the Pennsylvania Deposit Insurance Corporation
7 or the Pennsylvania Savings Association Insurance Corporation to
8 the extent that such accounts are so insured, and, for any
9 amounts above the insured maximum, provided that approved
10 collateral as provided by law therefore shall be pledged by the
11 depository.

12 (4) Obligations of the United States of America or any of
13 its agencies or instrumentalities backed by the full faith and
14 credit of the United States of America, the Commonwealth of
15 Pennsylvania or any of its agencies or instrumentalities backed
16 by the full faith and credit of the Commonwealth, or of any
17 political subdivision of the Commonwealth of Pennsylvania or any
18 of its agencies or instrumentalities backed by the full faith
19 and credit of the political subdivision.

20 (5) Shares of an investment company registered under the
21 Investment Company Act of 1940, whose shares are registered
22 under the Securities Act of 1933, provided that the only
23 investments of that company are in the authorized investments
24 for county funds listed in clauses (1) through (4).

25 (6) Certificates of deposit purchased from institutions
26 ~~organized and existing under the laws of~~ HAVING THEIR PRINCIPAL <—
27 PLACE OF BUSINESS IN the Commonwealth and insured by the Federal
28 Deposit Insurance Corporation or the Federal Savings and Loan
29 Insurance Corporation or the National Credit Union Share
30 Insurance Fund or the Pennsylvania Deposit Insurance Corporation

1 or the Pennsylvania Savings Association Insurance Corporation to
2 the extent that such accounts are so insured, however, for any
3 amounts above the insured maximum, such certificates of deposit
4 need not be collateralized. Certificates of deposit purchased
5 from commercial banks shall be limited to an amount equal to
6 twenty per centum of a bank's total capital and surplus.
7 Certificates of deposit purchased from savings and loan
8 associations or savings banks shall be limited to an amount
9 equal to twenty per centum of an institutions assets minus
10 liabilities.

11 (7) Any investment authorized by 20 Pa.C.S. Chapter 73
12 (relating to fiduciaries investments) shall be an authorized
13 investment for any pension or retirement fund.

14 (8) "Commercial paper" and "prime commercial paper" as
15 provided for in subsection (d).

16 (d) As used herein "commercial paper" shall mean unsecured
17 promissory notes issued at a discount from par by any
18 industrial, common carrier, public utility or finance company
19 and "prime commercial paper" shall mean notes issued by
20 corporations whose credit has been approved by the National
21 Credit Office, Incorporated, New York, or its successor. The
22 treasurer shall have obtained the following prior to any
23 commitment to purchase commercial paper:

24 (1) A certification or other evidence that such commercial
25 paper is rated prime by the National Credit Office,
26 Incorporated.

27 (2) A certification or other evidence that the paper
28 proposed to be delivered is not subordinate to any other debt of
29 the issuer.

30 (3) A certificate or other evidence that there is no

1 litigation pending or threatened affecting said paper.

2 (4) A certificate or other evidence that the issuer is not
3 in default as to the payment of principal and interest upon any
4 of its outstanding obligations.

5 (5) A certificate or other evidence that the issuer was
6 incorporated within the United States, is transacting business
7 within the United States, and has assets of one billion dollars
8 (\$1,000,000,000) or more, or is a wholly owned subsidiary of a
9 Pennsylvania corporation having assets of one billion dollars
10 (\$1,000,000,000) or more.

11 (6) The treasurer shall not, at any time, have invested in
12 prime commercial paper more than an aggregate of such total sum
13 as the board shall have prescribed.

14 (e) In making investments of county funds, the county
15 treasurer (or other elected officials when authorized as
16 provided in subsection (a)) shall have authority:

17 (1) To permit assets pledged as collateral under subsection
18 (c)(3), to be pooled in accordance with the act of August 6,
19 1971 (P.L.281, No.72), entitled "An act standardizing the
20 procedures for pledges of assets to secure deposits of public
21 funds with banking institutions pursuant to other laws;
22 establishing a standard rule for the types, amounts and
23 valuations of assets eligible to be used as collateral for
24 deposits of public funds; permitting assets to be pledged
25 against deposits on a pooled basis; and authorizing the
26 appointment of custodians to act as pledgees of assets,"
27 relating to pledges of assets to secure deposits of public
28 funds.

29 (2) To combine moneys from more than one fund under county
30 control for the purchase of a single investment, provided that

1 each of the funds combined for the purpose shall be accounted
2 for separately in all respects and that the earnings from the
3 investment are separately and individually computed and
4 recorded, and credited to the accounts from which the investment
5 was purchased.

6 (3) To join with one or more other political subdivisions
7 and municipal authorities in accordance with the act of July 12,
8 1972 (P.L.762, No.180), entitled "An act relating to
9 intergovernmental cooperation," in the purchase of a single
10 investment, provided that the requirements of clause (2) on
11 separate accounting of individual funds and separate
12 computation, recording and crediting of the earnings therefrom
13 are adhered to.

14 (f) All income earned on any of the aforesaid investments
15 shall inure to the benefit of the county and shall be placed in
16 the general fund.

17 Section 3. Section 1994 of the act is repealed.

18 Section 4. Section 1995 of the act is amended to read:

19 Section 1995. [Deposits of Money Received; Interest.--All
20 moneys received by the commission at any time shall immediately
21 be deposited in one or more banks or banking institutions which
22 are now or hereafter shall be designated as county depositories.
23 The rate of interest to be paid by depositories to the
24 commission shall be the highest rate obtainable, calculated on
25 daily balances. The commission may reinvest said interest with
26 the other income from the bonds in their possession.] Investment
27 of Sinking Fund Moneys.--The commission shall have power to make
28 investment of county sinking funds as authorized by the act of
29 July 12, 1972 (P.L.781, No.185), known as the "Local Government
30 Unit Debt Act"; and liquidate any such investment, in whole or

1 in part, by disposing of securities or withdrawing funds on
2 deposit. Any action taken to make or to liquidate any investment
3 shall be made by the commission.

4 Section 5. This act shall take effect in 60 days.